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WORLD NEWS

DPP calls for inquiry into Taylor trial

The Director of Public Prosecutions has asked James Anderton, the Chief Constable of Greater Manchester, to consider holding an inquiry into the trial for fraud of Kevin Taylor, the Manchester businessman. The trial was discontinued this week after the prosecution decided to offer no more evidence.

The announcement of the investigation came after David Waddington, the Home Secretary, had rejected calls for an inquiry into the Stalker affair, and Greater Manchester police authority set up a separate inquiry. Page 4

Cricket protesters hurt

Mike Gatting, the former England cricket captain leading a rebel South African tour party, was last night urged to meet anti-tour protesters after police used dogs and tear gas to disperse demonstrators as the team arrived at Jan Smuts airport, Johannesburg. About 20 people were injured. Krish Naidoo, secretary of the National Sports Congress, the body co-ordinating the anti-tour campaign, said he would propose a delegation meet Gatting and his players. Page 2

Mayor on crack charge

Marion Barry, the mayor of Washington, the US capital, appeared in court yesterday on charges of illegal possession of crack cocaine. Page 26

Radon gas limit revised

The safety limit for radon gas in UK homes has been halved after studies suggested that radon, which seeps naturally from rocks, is a greater cause of cancer than has previously been believed. Page 5

Row over 999 dispute

The Government's handling of the ambulance dispute came under further fire last night, after an aide to Kenneth Clarke, the Health Secretary, was named as the source of a suggestion that more money might be available to settle the dispute. Page 26

Space shuttle delayed

Fog in the California desert and bad weather at two other landing strips delayed the touchdown of US space shuttle Columbia yesterday, making the flight the longest ever for a shuttle mission.

Indian mystic dies

Bhagwan Rajneesh, a controversial Indian guru who preached free sex and led a luxurious lifestyle, died of a heart attack yesterday. The 58-year-old mystic, expelled from the US in 1985, died on his commune at Poona.

Waite anniversary

The Archbishop of Canterbury, Dr Robert Runcie, said as his special envoy Terry Waite began a fourth year in captivity in the Lebanon: "I hope we shall not need to keep this anniversary again."

Serenader Semprini dies

Pianist Semprini, who was a household name for 30 years with his popular radio show Semprini Serenade, died in Devon, aged 81.

BUSINESS SUMMARY

Renault faces UK rival for Czech project

A UK consortium emerged as a strong rival to Renault to set up a light commercial vehicle assembly project in Bratislava, Czechoslovakia.

The consortium, which includes companies in automotive design and production engineering, marketing and financing, has been negotiating with BAZ, the Bratislava automobile plant, the Czechoslovak Government and banking authorities for the past 12 months. A decision is expected in the spring. Page 26

HOSKYNS GROUP, UK computing services company controlled by Plessey, is for sale at a likely price of more than £300m. The sale is part of a rationalisation plan for Plessey by GEC/Siemens, Plessey's new owners. Page 8

BANK of New England, 15th largest US bank, hit hard by the crisis in real estate-related loans, revealed $1.5bn (£910m) of bad debt provisions, a fourth quarter loss of $1.2bn and more than $6bn of asset sales. Last year the bank lost $1.05bn. Page 10

JAPAN's money supply grew faster last month than in November, prompting fears that interest rates may have to be increased again. The December merchandise trade surplus fell to $6.19bn (£3.76bn), from $9.7bn a year earlier. Page 3

LUFTHANSA and Interflug, the West and East German airlines, announced a range of co-operation agreements and launched a joint initiative to build a new Berlin airport by the year 2000. Page 2

BERLINER VOLKSBANK of West Berlin is to take a 10 per cent stake in East Berlin's Berliner Volksbank, the first German banks to join forces across the border. Page 16

DAVID S SMITH, largest UK papermaker, reported static interim pre-tax profits of £15.8m on sales 9 per cent higher at £181.4m. Page 8

POLAND's inflation soared 10-fold to 740 per cent last year while industrial output fell 3.4 per cent.

NORFOLK HOUSE, petrol station developer and manager, plans a four-for-nine rights issue to raise about £20.8m. Full-year pre-tax profits rose 42 per cent to £8.68m. Page 8

DUMEZ, one of France's biggest construction companies, signed a co-operation agreement with Alfred McAlpine, UK building and civil engineering group, to pursue projects in the UK and on the Continent. Page 4

RECHEM: Shares in the toxic waste disposal group fell 145p to 508p when it warned that second-half profits would be lower than last year. The company blamed part of its problem on dockers' refusal last summer to handle Canadian shipments of toxic waste. Page 8

PRESIDENT Bush added his voice to recent Administration calls on the Federal Reserve to lower US interest rates. Page 2

More Soviet troops sent to dampen 'Islamic wildfire'

By Quentin Peel and John Parker in Moscow

MOSCOW is to send more troops to the troubled Transcaucasus following a worsening yesterday of race riots and guerrilla warfare between Armenians and Azerbaijanis.

Soviet troops sent in on Tuesday to end the anarchy in the region began to advance on Baku, the Azerbaijani capital, where road blocks have been set up by militant nationalists to prevent entry into the city.

The possibility of clashes involving Soviet troops in the Baku means that what began as local inter-ethnic blood-letting could now involve the rest of the nation. Nearly 30,000 soliders have been sent to the region.

In Moscow, Mr Mikhail Gorbachev, the Soviet leader, warned that forces in the republic were demanding secession, and the creation of "an Islamic Azerbaijan." Iran's official news agency IRNA said in a retaliatory statement that unrest could spread like wildfire in the Islamic world if the Soviet Union cracked down on Moslem Azerbaijanis.

Along the frontier with Iran, more than 1,000 Azerbaijainis breached what Tass, the Soviet news agency, described as "the holy of holies" - the country's international border.

Tass said yesterday that over the past 24 hours, the situation in Azerbaijan and Armenia had worsened. The officially-admitted death toll in the disturbances rose to 72.

Sporadic fighting continued in the hills around Nagorno-Karabakh, the territory at the heart of the dispute, and in Nakhichevan, the Azerbaijani enclave between Armenia and Iran. Airports are being picketed and rail traffic is at a standstill.

The main concentration of troops has been in Baku - suggesting that the Kremlin's previous attempt to avoid direct confrontation with Azerbaijani nationalists by declaring a state of emergency only in outlying areas had failed. Eyewitness accounts from the city are patchy, graphic and partial. But most say that all roads into Baku had been blocked so that troops arriving by rail and air could not reach the city centre.

The Interior ministry in Moscow said that troops had left their barracks and were patrolling the streets with the help of "workers' defence committees" made up of Afghanistan veterans and other ex-servicemen. The ministry said that reinforcements stationed on the outskirts had begun to move towards the city centre.

Baku, a city of 1.5m people and a centre for the oil and oil-services industry on the Caspian, has been paralysed by a transport strike. This is likely to have knock-on effects in the economy because Azerbaijan makes over half the Soviet Union's oil-field equipment.

In spite of appeals for calm by the Communist Party leaders, 10,000 people marched through the city yesterday to surround the party headquarters, calling for an end to the state of emergency and demanding that the republic's parliament should be convened. The spokesman for the council for national defence, Mr Esbat Mamedov, claimed that "Soviet power has ceased" in parts of Azerbaijan.

In Armenia, the Army newspaper, Krasnaya Zvezda, claimed, self-defence brigades are being formed to attack Interior ministry and Army installations in order to seize weapons. Armenian refugees - survivors of the weekend's pogroms by Azerbaijani vigilantes, many of whom are themselves refugees from Armenia - have been streaming out of Baku. Tass estimated that more than 10,000 of them have evacuated, many across the Caspian Sea to Turkmenia. Krasnaya Zvezda said that 4,000 Armenian refugees have now reached Yerevan, the republic's capital, scene of another huge rally yesterday.

And in the area at the heart of the violence, of Nagorno-Karabakh, subject of a total-transport blockade by Azerbaijan, only 10 days' supply of food remains, while one-third of the capital, Stepanakert, is without water.

Iran warns Moscow over Azerbaijan, Page 2

Gulliver to quit as chairman of Lowndes

By Maggie Urry

MR James Gulliver is to resign as chairman of Lowndes Queensway, the troubled furniture and carpet retailer. His departure coincides with a £70m refinancing package – the second in six months – which Lowndes agreed with its bankers yesterday and an accelerated shop closure plan.

The shake-up at the company comes 18 months after one of Britain's biggest management buy-outs which turned sour as domestic interest rates soared simultaneously hitting retail sales and added to its substantial debt.

Mr Norman Ireland, a non-executive director of Lowndes, is to take over as chairman. He said last night Mr Gulliver had gone "of his own volition and will receive no compensation".

Mr Gulliver, said last night, "I am not a sacrificial lamb. I still have 2.5m shares in the company which is why I'm so keen it prospers."

Mr Gulliver said "I have always been an optimist." But he felt that after two refinancings "the prospect of remaining and directing the business subject to the very strict financial disciplines the banks are imposing is not something on which I could bring my talents to bear."

Mr Gulliver, who headed a consortium which took over Harris Queensway in August 1988 for £450m, has had a long and colourful career in retailing heading Fine Fare and more recently the Argyll group which failed, under his leadership, in the controversial bid battle for Distillers.

Mr Brian McGillivray, another Lowndes non-executive director, has resigned over "differences of opinion." Mr Eddie Dayan, chief executive, said he could not comment on these differences.

The refinancing asks shareholders to put up £35m through a rights issue of shares at 5p. Last autumn shareholders subscribed to a rights issue at 20p, as part of a first refinancing package. The shares were suspended at 8½p in December when the need for a second refinancing became clear. Institutions are investing a further £35m in zero-coupon convertible loan notes.

Shareholders will be asked to vote on the refinancing package. Mr Dayan said yesterday, "without this money the group will not be able to continue trading. With it I am confident of its survival."

High interest rates have squeezed consumer spending and house moving, hitting the profits of retailers of housing-related, high-ticket items. Three retailers which had arranged debt-backed buy-outs – Lowndes, MFI, the furniture

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Lex, Page 26

Tony Andrews

Norman Ireland, who will take over as chairman of Lowndes Queensway, with Eddie Dayan, chief executive

Inflation rate in UK stabilises at 7.7%

By Peter Norman, Economics Correspondent

BRITAIN'S annual inflation rate stabilised at 7.7 per cent last month as sharply higher prices for seasonal foods were partly offset by cheaper cars and lower petrol prices.

The Central Statistical Office reported yesterday that the retail prices index rose by 0.3 per cent in December to leave the annual inflation rate unchanged from November.

Excluding the effects of mortgage interest payments, prices rose by 6.1 per cent compared with December 1988. This increase in what the Treasury considers the underlying annual rate of inflation was unchanged from November and October.

December's annual inflation rate was slightly better than the City consensus forecast of about 7.9 per cent. Relief in financial markets was tempered by concern about high wage claims and the disclosure that bank and building society lending more than doubled in December to £10.3bn from £4.8bn in November.

While sterling held steady on the inflation news, the bank lending figures unsettled equities. After recovering in the afternoon, the FT-SE index closed down 1.9 at 2,335 but about 5.2 per cent below its all-time high on January 3.

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Bank reassures City, Page 5; London stock market, Page 19

Weekend FT

THE TYRANT AND HIS CHILDREN

The Ceaucescus ordered Romanian women to give birth, fined couples thought infertile and jailed those who risked their lives for illegal abortions. Judy Dempsey reports
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Finance and the family

Mr and Mrs Jones have a tiff over independent taxation
Page III

Revolution in the East

Dr John Rae revisits the ideals of pacifism
Page XVI

Food and Wine

Jancis Robinson uncovers two Australians who intend to tackle French winemakers on their own ground
Page XVIII

Collecting

Antony Thorncroft on the canny companies which invest in art
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Books

Anthony Curtis reviews a biography of the elusive artist Marcel Duchamp
Page XXI

Boat people face 'quick turnround'

By John Elliott in Hong Kong

HONG KONG is preparing a new policy called "quick turnround" aimed at repatriating Vietnamese boat people as soon as they have failed to qualify as refugees.

This speeding up of the repatriation programme would represent a further toughening of the existing policy of putting the boat people in long-term detention centres, which now hold over 40,000 people liable to be deported.

The plan, which has yet to be negotiated with the Vietnamese Government, is contained in the Hong Kong government's 1990 policy plan for dealing with all the 56,000 Vietnamese boat people in Hong Kong. This is to go to the colony's executive council next Tuesday.

As a first step, all the 150 boat people who have arrived since the beginning of this month have been kept at a reception centre called Green Island for immediate screening. Those who qualify as refu-

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GM to build £200m plant on Merseyside

By Kevin Done, Motor Industry Correspondent

GENERAL Motors of the US, the world's biggest car maker, is expected to build its planned £200m European engine plant at Ellesmere Port, Merseyside.

A final decision is expected to be made shortly by GM in Detroit, with an announcement in the next two months.

The Ellesmere Port site, where Vauxhall, GM's UK subsidiary, assembles the Vauxhall Astra small family car and the Bedford Astra/Astramax van range, has been competing for the project, with GM's Kaiserslautern plant in West Germany. The project is expected to create around 350 jobs.

GM Europe (Opel in continental European markets and Vauxhall in the UK) has been steadily increasing its sourcing of components from the UK.

It has transferred around £450m of business to UK suppliers in the three years 1986-88, and the siting of a major new components plant in the UK would accelerate this process.

The prospects of the engine plant being sited at Ellesmere Port have also been enhanced by the readiness of the workforce to accept a far-reaching package of labour reforms.

GM is expected to produce a range of 2-3 litre V6 engines at the new plant, which will play an important role in expanding the company's presence in the European executive and luxury car markets.

The plant is likely to have a capacity to produce around 100,000 engines a year, and it is expected that the V6 engine range will also figure prominently in the future product programmes for Saab Automobile in the 1990s.

GM bought a 50 per cent stake last month in the Saab car operations of Saab Scania, the Swedish automotive and aerospace group and has management control of the newly-formed Saab Automobile.

The UK plants now compare very favourably with other GM plants in Europe, but there is still a significant gap between Luton and Japanese plants.

Vauxhall is aiming to increase its UK car market share to around 17 per cent from 15.2 per cent last year.

EAST EUROPE IN FERMENT

After the revolution, which way?

In a Special Report on Wednesday, January 24, Financial Times writers assess the effects of the dramatic political realignments which took place during 1989.

They report from: Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania, the Soviet Union and Yugoslavia.

They look ahead to what might be in store in East Europe during 1990, politically and economically, and investigate opportunities for western businessmen in the new social order emerging in these countries.

MARKETS

STERLING
New York lunchtime:
$1.646
London:
$1.647 (1.645)
DM2.8075 (2.81)
FFr9.535 (9.55)
SFr2.4925 (2.4975)
Y239.75 (240.25)
£ index 88.1 (same)

GOLD
New York: Comex Feb
$410.9
London:
$410 (413)

N SEA OIL (Argus)
Brent 15-day Mar
$19.9 (+0.375)

Chief price changes yesterday: Page 28

DOLLAR
New York lunchtime:
DM1.709
FFr5.806
SFr1.518
Y145.87
London:
DM1.7045 (1.708)
FFr5.79 (5.805)
SFr1.514 (1.5185)
Y145.6 (146.05)
$ index 67.8 (67.6)
Tokyo close: Y146.33

US LUNCHTIME RATES
Fed Funds $8\frac{1}{8}$%
3-mo Treasury Bills:
yield: 7.89%
Long Bond:
98
yield: 8.3%

STOCK INDICES
FT-SE 100:
2,335.0 (−1.9)
FT Ordinary:
1,868.0 (+3.6)
FT-A All-Share:
1,169.46 (same)
New York lunchtime:
DJ Ind. Av.
2,674.27 (+7.89)
S&P Comp
339.64 (+1.45)
Tokyo: Nikkei
36,836.54 (+107.08)

LONDON MONEY
3-month interbank:
closing $15\frac{7}{32}$ ($15\frac{3}{16}$)
Liffe long gilt future:
Mar $88\frac{15}{32}$ ($87\frac{3}{4}$)

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Iran warns Moscow over Azerbaijan

By Christina Lamb

IN THE face of continuing unrest in Azerbaijan, Iran warned yesterday that unrest could spread like wildfire in the Islamic world if the Soviet Union cracked down on Moslem Azeris. The comments raised the dark spectre of Islamic agitation, fanned by Tehran on the Soviet Union's southern border.

Reports from Transcaucasia that Iranian Moslem Azeris are supplying arms to their Soviet counterparts in the struggle with rival Christian Armenians have led to suspicions that there is an Islamic link with some fundamentalists in Iran hoping to extend the Islamic state northwards into Azerbaijan.

Mr Gorbachev spoke out strongly yesterday, blaming Moslem extremists for the continuing violence, in which 72 people have died. However, the Soviet Government may well be playing up this angle in order to justify to their own people sending troops into the area.

There is certainly a historic basis for Soviet fears. Azerbaijan was originally part of Persia, until Russian expansion in the 19th century left the Azeri community divided. The Turkmachai Treaty in 1828 established the Araks river as the border with an estimated 7m Azeris in the Soviet Union and 5m in Iran.

The Soviet Government newspaper Izvestia said yesterday that thousands of predominantly Shia Azeris had crossed in both directions around the Nakhichevan and Dzhalilabad districts in Soviet Azerbaijan near Iran's border.

The report said pontoon bridges had been set up across the Araks, and added: "There is information about the preparation for transfer across the border of a large consignment of arms and ammunition."

The Iranian news agency IRNA said thousands of Azeris crossed into Iran yesterday to take part in Moslem prayers. Earlier this month along the 400-mile frontier with Iran, Soviet Azeris took the law into their own hands, ripping down the fence severing the atheist Soviet Union from Islamic Iran.

Mr Gorbachev's remarks suggest that Moscow fears a replay of attempts by Iranian clerics to proselytise among Muslims of the southern Soviet Union, including the predominantly Shia Azerbajanis, as they did after the Iranian Revolution.

The Iranians have reacted strongly to the Soviet accusations, standing up for their co-religionists across the river.

IRNA said both Moscow and the West were portraying the Azeris as the culprits in bloody week-long clashes with Armenians which have brought Azerbaijan to the brink of armed confrontation with Moscow.

"To prevent the situation from getting out of hand, it is advisable for all concerned to take heed that any kind of clashes in the Caucasus and their aftermath would spread like wildfire among the over 70m Moslems in the Soviet Union and the more than one billion Moslems throughout the world," it said.

The truth about the separatist, Islamic element in Azerbaijan's turmoil is hard to untangle. The feud with Armenia over Nagorno Karabakh, which is legally part of Azerbaijan, has fused with the economic grievance and anger over the artificial division from the Azeris living in Iran to create an explosive mood. Few doubt that were there to be a referendum the Azeris would opt for independence. There has already been an attempt by the Iranian Azeris, in 1946, to set up an independent state.

However, Mr Emile Salmanov, an Azeri ethnographer who specialises in the Eastern Caucuses and recently arrived in London, insists this would take the form of an independent republic with the Iranian azeris, separate from both the Soviet Union and Iran. "Reunification is an old idea. We want complete independence from the Soviet Union as a fist step then union with northern Iran where there are 14.2m Azeris."

Mr Salmanov is also adamant that arms are not coming from Iran. "We have only hunting arms and a few rifles stolen from the army or home-made, and very little ammunition." But recent reports suggest far more sophisticated weapons are in use which can only have come from Iran or Afghanistan.

An independent Azerbaijan could easily be self-supporting, according to Mr Salmanov, given Azerbajan's mineral wealth of the Baku oilfield and agricultural potential."Azerbaijan is making a great contribution to the Soviet Union and getting little in return. We have chemicals and heavy metals, electronics and steel industry and our agricultural possibilities have hardly been explored."

DRESDEN MAYOR MAY TAKE SUPPORTERS OVER TO SOCIAL DEMOCRATS

E German communists face split

By Leslie Colitt in Berlin

EAST Germany's Communist Party (SED), reeling from a series of blows to Party unity, faces a possibly fatal split even before free elections next May.

Mr Wolfgang Berghofer, the popular young Mayor of Dresden and a deputy chairman of the SED, strongly hinted that he might leave the Party and join the opposition East German Social Democrats (SPD). He would undoubtedly take along with him many disillusioned Party members. Earlier, rank-and-file SED members demanded that the Party dissolve itself at an emergency congress.

During a visit to Austria, Mr Berghofer said the SED had no chance of obtaining a majority in the elections on May 6 and other parties would not form a coalition with it. The Party would undergo "radical changes" in coming months. He praised the "clear programmatic message" of the Social Democrats and said Social Democratic traditions in Germany would help the East SPD to obtain a "mass base."

Mr Berghofer, who is an SED representative in round table talks with the opposition, said he could "not yet" comment on the possibility that he would join the SPD. His remark was the strongest sign yet that he may switch in coming weeks and become a vote-getter for the SPD. The handsome young Mayor, who wears pin-stripe suits, gained a nationwide reputation last October when he helped prevent riots by opening the first dialogue with opposition groups. He has had close ties with SPD officials in Hamburg, which is twinned with Dresden.

The grassroots rebellion came, meanwhile, from members of three main "platforms" in the SED which are calling for social democracy and a "third way" between capitalism and communism. They were supported by SED organisations at the Academy of Sciences, East Berlin's Humboldt University and the city's largest hospital, the Charité. The Party dissidents said the situation in East Germany was increasingly grave and the Party had not been able to reform itself. They called for the SED to dissolve itself, but expressed support for the Government of Mr Hans Modrow, the SED Prime Minister.

Leaders of Mr Modrow's two main coalition partners, the Christian Democrats and the Liberal Democrats, voted yesterday to remain in alliance with him despite pressure from their membership to abandon the coalition.

Mr Manfred Gerlach, head of the Liberals, who is also acting head of state, called for the "swiftest possible unity of Germany" in a speech to the party leadership. Unification has become the main issue in the poll campaign and even the Communist party says it is in favour of unity but only in the context of a united Europe.

EIB approves loan for Poland, Hungary

By Patrick Blum in Lisbon

THE European Investment Bank (EIB) has approved lending of up to Ecu 1bn (£728m) for Poland and Hungary, Mr Miguel Arnedo Orbanados, a vice-president of the bank, said in Lisbon yesterday.

"The Ecu 1bn is intended to start operations in Eastern Europe [with the bank acting] as a pathfinder for the new European Bank [for Reconstruction and Development]," Mr Orbanados said at a press conference to present the EIB annual report on its activities in Portugal. After this initial loan, financing for Eastern Europe would be the task of the new bank, he said.

The establishment of a bank to help to promote the transformation of Eastern European countries into competitive market economies was agreed in principle this week at a meeting in Paris of delegates from 34 countries of Eastern and Western Europe. An EIB official said that the statutes for the new bank should be ready by the end of March, and that it would probably have a nominal capital of Ecu 10bn with Ecu 2bn-Ecu 3bn as paid-up capital.

Mr Orbanados said the EIB was collaborating on work to establish the bank and expected to participate in its capital.

He played down fears that the current interest in Eastern Europe would affect financial flows to other parts of Europe such as Spain, Portugal or Greece, but agreed it would have "some repercussions" on the EIB's activities.

Mr Orbanados also warned of possible problems for the East European economies in dealing with large financial inflows. The problem, he said, was not finding money, but in the Eastern European economies' capacity "to absorb this money into real investment."

Training, management and financial systems needed to be reorganised.

EC ministers to discuss E Europe aid

By David Buchan in Brussels

FOREIGN ministers of the Twelve are to discuss tonight in Dublin Castle how to respond to Eastern Europe's requests for aid, for which the European Commission is likely to propose a special category in future EC budget planning.

The Commission was last night putting the finishing touches to a plan to supply Romania with some Ecu 40m (£29m) in emergency food aid, and to its strategy for dealing with the budgetary consequences of extending financial and technical aid beyond Poland and Hungary.

Mr Frans Andriessen, the external affairs commissioner, who last week visited Prague, Sofia and Bucharest, has suggested that future Community budgets provide for a special pot of money for Eastern Europe, the ceiling on which could rise progressively in line with the growth in the EC economy and overall Community spending.

However, the money the Commission has in mind is much smaller than the figure of Ecu 14bn a year suggested by its president, Mr Jacques Delors, this week before the European Parliament.

After on-the-spot checks by its officials in Bucharest this week, the Commission is considering giving Romania up to 250,000 tonnes of feed grain and up to 20,000 tonnes of beef, as well as smaller amounts of butter and olive oil.

● East Germany could join the EC simply by becoming part of an enlarged West Germany, Sir Leon Brittan, the UK's senior EC Commissioner, said in a speech yesterday to Leighton Park School near Reading.

It might even be possible for the unified German state to be within Nato, he suggested, though present East German soil might have to be demilitarised to placate Moscow.

Spaniards to seek wage increases of at least 9%

SPAIN'S main trade unions, the Socialist UGT and the communist-led Comisiones Obreras, served notice yesterday that they plan to seek wage rises of at least 9 per cent in pay talks that normally begin in spring, Peter Bruce writes from Madrid.

The move will inevitably hamper the Government's efforts to quieten the economy and slow down inflation. The country's consumer price index rose 6.9 per cent in 1989, more than double expectations a year ago, but the unions and the main employers' body, the CEOE, have failed to agree on a country-wide wage scale.

This means that thousands of private companies will have to negotiate separately with the unions. The same thing happened last year, when most employers caved in to union demands of around 7 per cent while the government was urging both sides to limit increases to 5 per cent.

Nevertheless, signs have begun to emerge in Madrid that the Government and the two unions are beginning, slowly, to repair their sorely damaged relations, which culminated in a one-day general strike in December 1988 in protest at conservative economic policies.

A policeman and his dog watch black demonstrators at Johannesburg's Jan Smuts airport, before the arrival of English cricketers defying a ban on sporting ties with South Africa.

Later police beat and tear-gassed demonstrators, an ugly start to a much-pilloried tour. Ten people were arrested and an unknown number injured, some by police dogs, in the confrontation.

Yugoslavia's communists prepare to self-destruct

The federal party, riven by ethnic tensions, opens perhaps its last congress today, writes **Judy Dempsey**

YUGOSLAVIA'S ruling communist party, once a beacon of light among eastern Europe's regimes, today opens what is expected to be its last federal party congress.

The congress takes place against a background of increasing fragmentation of the federal party structure as each republic attempts to put forward its own political programme.

This political fragmentation has been excerbated by Serbia, the largest of the republics, which has attempted to reassert its political domination of the federation.

Despite the sour atmosphere, generated by years of political intrigue and incompetence, the League of Communists of Yugoslavia will push through political changes which are likely to break the party's stranglehold on society. But the debate will be sharp. It will expose the deep rift within the party and between the main political players – Slovenia, Croatia and Serbia – among the six republics.

Amid much infighting, these three regions suppressed their political differences to form an alliance after the First World War. This led to the creation of the Unified Kingdom of the Serbs, Croats and Slovenes, the basis of post-war Yugoslavia. Today, all semblance of unity between them has disappeared as they argue about how to make the transition from a one-party state to a multi-party system.

Slovenia, the small northern republic has little doubt how this transition should be achieved: the country should have a multi-party system.

Last year the Slovene assembly passed radical constitutional changes which effectively strengthened the republic's autonomy and its political institutions vis-a-vis the federal party. Regardless of what the congress decides, Slovenia seems intent on pursuing its own political goals.

Neighbouring Croatia also supports a multi-party system. During a session last week of the Assembly's Commission for Constitutional Issues, it threw its weight behind political pluralism.

But while the republics, in theory at least, support political pluralism, there is little agreement on how this should be implemented.

The "Communist party Declaration on a new Outline of Democratic Socialism," the draft document which will be presented at the congress, refers to a "a democratic society (in which) no one is entitled to be the owner of the single political truth". It speaks about "creating with political pluralism, a new quality of life, and we will develop a new method of gaining power at free elections. The communist party (will) fight, using democratic means, for the association of all socialist-orientated political subjects in a federation of equal socialist organisations..."

It pledges to change the statutes of the communist party, after the congress. In the meantime, it will pass a law on the freedom of political association "on the principles represented in this Declaration."

For the Slovenes and the Croats, the document is ambiguous about the party's future political as well as how political pluralism will evolved.

For its part, the Serbian party, the largest and one of the most dogmatic in the federation, believes that pluralism is seen as a useful tool to be exploited by "nationalists".

"The politically-aware public in Serbia and Yugoslavia cannot be fooled by the alleged champions of democracy who call for a fraticidal war, offer chauvinism...hatred and terror," the Serbian party last week declared.

In its view, democracy would unleash latent ethnic tensions between the republics and would undermine the unity of the Yugoslav Federation, and centralisation not decentralisation is the only way towards maintaining political stability.

Bangemann attacks US on German unity

By David Marsh in Bonn

THE US was yesterday attacked as "very conservative" in its views on German unity by Mr Martin Bangemann, former Bonn Economics Minister and now European Commissioner responsible for the single market.

Underlining growing impatience about German unity among even moderate West German politicians and commentators, Mr Bangemann hit out at last month's meeting in West Berlin of the four World War II allies.

In the strongest criticism of the allies so far from a leading German politician, he labelled the meeting a "throw-back" to "outmoded instruments" of international policy. Responding to a question about US insistence that a reunited Germany should maintain its "commitment" to Nato, Mr Bangemann said such views did not take account of Nato's need to take on "new forms" over the next few years.

The EC Commissioner criticised Thursday's warning by Mr Vernon Walters, US ambassador to Bonn, about West Germany's ties to Nato. He ruled out that a united Germany would be a neutral state, but said "neither Nato nor the Warsaw Pact will continue in exactly the same way in the next 10 years".

Mr Walters had warned about security risks of a US force pull-out from West Germany, and restated the four powers' intention to stay in Berlin until it became the new German capital.

December's Berlin gathering of the ambassadors of the US, the Soviet Union, Britain and France, which jointly retain supreme authority over the city, underlined the four powers' interest in "stability" in Germany. Mr Bangemann said the meeting "did not correspond to the historic importance" of events in eastern Europe. His comments came in and after a speech arguing that German unity would benefit a rapidly integrating Europe.

Those who were "afraid" of Germany's growing economic strength were following outmoded diplomatic thinking, he declared, pointing out that West Germany, with 61m people, was already the strongest economic force in the EC. Addition of a further 15-16m people from the East "would not have" a negative effect.

Mr Bangemann affirmed that the democratic East German government due to take office after May 6 would be free to apply to join the EC. Membership negotiations could then start immediately, although in the case of Spain and Portugal, it had taken seven years for these to be completed. East Germany would not be able to join the EC as long as it remained a Warsaw Pact member, but he urged a "progressive" view of how the alliances could change.

Last-ditch bid to stop splitting fighter plans

By David White in London and David Goodhart in Bonn

BRITAIN AND West Germany will next week make a last-ditch attempt to avoid splitting key parts of the £22bn European Fighter Aircraft project into separate programmes.

A two-year contest over the aircraft's radar, worth more than £1bn, reaches a climax when Mr Gerhard Stoltenberg, the West German Defence Minister, visits London on Monday to hammer out the issue with his counterpart there, Mr Tom King.

Officials on both sides believe a decision must be made by the end of the month to allow work on the rest of the aircraft to meet timing and cost targets.

Nefma, the Munich-based, four-nation body co-ordinating the EFA programme, is planning a public relations offensive, directed mainly at the West German public, on behalf of the beleaguered project.

The anti-EFA lobby was bolstered last weekend when the Free Democrats, junior partners in the government coalition, joined the opposition Social Democrats in opposing the venture.

In Monday's meeting, Mr Stoltenberg is expected to put tough conditions on West German acceptance of the British-led ECR90 radar designed by Ferranti International, which the Royal Air Force insists is the only system with the range it wants.

These conditions would be a UK commitment to underwrite any cost overruns in developing the Ferranti radar, and guarantees on the financial fitness of Ferranti itself, hit by an alleged £215m fraud.

Bonn says the Ferranti radar, with which Siemens of West Germany is associated, represents a higher risk than the rival MSD-2000 project headed by the Daimler-Benz subsidiary Telefunken System Technik with GEC-Marconi of the the UK.

Brussels bid to halt farm fraud in trouble

By Tim Dickson in Brussels

A EUROPEAN Commission plan to halt fraudulent agricultural subsidy claims running into tens of millions of pounds is coming under fire from member states.

The issue, expected to come to a head on Monday when farm ministers meet, highlights the huge problems faced by the Commission in trying to control the controversial system of export "refunds".

These are the subsidies – which vary according to the destination of goods – paid to traders to bridge the difference between the high guaranteed EC price and the lower world market price. Rates of refund differ from country to country for a variety of reasons.

The EC's "watchdog" Court of Auditors – whose reports over the last couple of years have done much to arouse political interest in the huge scale of farm fraud – has already drawn attention to the unscrupulous use of forged import documents.

Now the Commission – stung by accusations of incompetence and inefficiency which it thinks are better directed at the member states – has proposed that traders should no longer be allowed to present the so called Annexe Two document as proof that their goods have been imported.

However, most member states recently voted against the Commission's regulation, on the grounds that it is too drastic and may curtail agricultural trade.

Normally this would be the end of the matter, but in a highly unusual constitutional manoeuvre – the first time it has happened for 27 years, according to one Brussels expert – the Commission is pressing ahead with its plan, subject to the Council of Ministers finding an alternative solution.

Bush urges Fed to cut interest rates

PRESIDENT George Bush yesterday added his voice to recent Administration calls on the Federal Reserve to lower US interest rates, Peter Riddell reports from Washington.

Over the past week, officials have increased the pressure in view of reports that key Fed governors were inclined to oppose further short-term interest rate cuts, unless the state of the economy changes.

President Bush noted yesterday in a speech to housebuilders in Atlanta that mortgage interest rates had dropped from 18 per cent in the early 1980s to less than 10 per cent now.

"I want to see rates come down even more. The 1990s must be another decade of lower taxes and lower interest rates."

In his speech, Mr Bush repeated his call for Congress to enact an early cut in capital gains tax, to be included in his Budget on January 29.

Ecuador ex-PM ordered held

Ecuador's Supreme Court has ordered the detention of former Prime Minister Leon Febres Cordero, accused of embezzling $150,000 of public funds, Sarita Kendall reports from Quito. Mr Febres Cordero, who insists he is innocent and will defend his honour, has three days to appeal before he can be arrested.

In late 1986, the Ecuadorian central bank was alleged to have received presidential orders to pay $150,000 to the president's private secretary and son-in-law, Miguel Orellana. During investigations, Mr Orellana is said to have stated he paid the money to an Israeli expert for work on communications and security in the presidential palace.

Italian students occupy faculties

More than 20 faculties in at least six Italian universities were being occupied by students yesterday in protest against proposals for fundamental reform of the university system, John Wyles reports from Rome.

The revolt has puzzled Prof Antonio Ruberti, Minister for Scientific Research and architect of the government's proposals, which aim at relaxing highly-centralised controls on the administration and financing of Italian universities. Prof Ruberti said yesterday he was prepared to consider amendments to his plan.

Japan loan talks

A senior Japanese official is in China to discuss government loans frozen since last June's crackdown on pro-democracy protesters, AP reports from Peking. Mr Koichi Matsuura, director-general of the Foreign Ministry's Economic Co-operation Bureau, met Shen Jueren, Foreign Economic Relations and Trade Vice-Minister.

A Japanese official said the visit was for "preliminary discussions" on credit and grant programmes Japan has with China.

Journalist shot

An Australian journalist was shot and wounded when a helicopter came under fire early yesterday on the strife-torn island of Bougainville, AP reports from Port Moresby.

An army spokesman said Mark Baker, of the Melbourne Sunday Herald, was injured when secessionist rebels fired on the helicopter. Mr Baker is the second Australian to be wounded in two days following a raid when rebels overran a military stronghold.

Thai-UK meeting

A senior British foreign affairs official arrived in Bangkok yesterday for talks with Thai leaders on the war in Cambodia and bilateral trade issues, Reuter reports from Bangkok. Lord Brabazon, Minister of State, Foreign and Commonwealth Affairs, will visit Cambodian refugee camps on Thailand's eastern border and hold talks with Foreign Minister Siddhi Savetsila and Prime Minister Chatichai Choonhavan.

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Japan's trade surplus falls in December

By Robert Thomson in Tokyo

JAPAN'S merchandise trade surplus for December fell to $6.19bn, down from $9.7bn a year earlier, completing a year of slow export growth and relatively strong import growth, combined with an embarrassingly persistent surplus with the US.

For the whole of last year, Japan reported a trade surplus of $64.4bn, down from $77.5bn in 1988, while the surplus with the US fell from $47.6bn to $45bn last year, which will not be a large enough decrease to satisfy an impatient US Congress.

Several patterns that emerged during the second half of last year were consolidated in December. Japan's trade with the newly-industrialised countries of Asia, $7.14bn, again exceeded that with the European Community, $7.06bn, while trade with all Asia, $13.1bn, topped that with North America, at $11.6bn.

The Ministry of Finance figures showed that the December surplus with the US was $3.83bn, down from $5bn a year earlier. Total exports for the month fell 6 per cent to $24.5bn, and imports rose 11.8 per cent to $18.39bn – in volume terms, exports rose 0.8 per cent, while imports rose only 5.5 per cent.

The lower volume figures confirmed that the extent of the surplus's fall has been distorted by currency fluctuations. Dr Kenneth Courtis, of DB Capital Markets (Asia), estimated that about 56 per cent of the fall is due to currency movements and a surge in oil imports following a change in the oil taxation format.

Citing double-digit volume increases in exports of goods such as motorcycles and ships, Dr Courtis said that exports remain strong, and that the weakness of the yen could further encourage exports.

Ms Chiharu Sumita, of UBS Phillips & Drew, said an upturn in the US economy would probably produce an increase in Japanese exports to the US, which would heighten trade friction between the two countries. An expansion of overseas production facilities had obviously slowed Japan's export growth.

Canada's inflation rate falls

By Bernard Simon in Toronto

CANADA'S inflation rate dropped in December for the first time in seven years, but hopes that the Bank of Canada would sustain a recent fall in interest rates were dented by a plunge in the Canadian dollar yesterday.

Statistics Canada said the consumer price index stood at 153.6 in December, 0.1 per cent lower than November. The consumer price index rose 5.2 per cent in 1989, against 4.1 in 1988. But the annualised, seasonally-adjusted rate of increase in the fourth quarter of 1989 was only 4 per cent. Last month's drop in prices was due to falls in prices of vegetables and clothing materials.

Threat of accelerating prices and wages fuelled the Bank of Canada's high interest-rate policy over the past three years. But responding to signs that the economy is slowing, and exporters' complaints about the high level of the Canadian dollar, the Bank has allowed interest rates to slip in the past week.

The Bank of Canada intervened yesterday to hold up the Canadian dollar, after it fell more than half-a-cent as trading opened. At noon, it stood at 84.75 US cents, 1.68 US cents below a week ago.

Mongolian leaders feel the wind of change

Workers and intellectuals are demanding a multi-party system, writes **Robin Pauley**

THE wind of popular dissent in communist states has now blown as far as Ulan Bator. Tomorrow will be a testing time for President Zhambyn Batmunkh and his colleagues in the Mongolian leadership.

They have issued an order banning a mass demonstration which had been called in the capital's Subator Square. The leadership had previously allowed two similar demonstrations within the last month.

Last Sunday, about 5,000 Mongolians gathered in the biting cold in the city centre for a protest rally organised by the Mongolian Democratic Union (MDU).

The union is a loosely-structured organisation of workers and intellectuals which was formed last month as events in Eastern Europe began to unravel at a quickening pace.

It is not clear who is leading the union although the main party newspaper, Unen, has named a state university postgraduate student named Zorig, a university teaching assistant and several journalists.

The group is apparently demanding a multi-party system, an end to interference by the Mongolian Communist Party in government affairs, a full-time parliament and investigations of Mongolia's repressive past.

As far as is known, the last

protest was peaceful and there have been no reports so far of demonstrations anywhere except the capital, a mixture of Soviet-style concrete buildings and tents, which has a population of about 500,000.

Neither the police nor army intervened when people started to shout criticism of their national leaders.

One banner demanded that former leader Yumzhagin Tsedenbal return from the Soviet Union, where he lives with his Soviet wife, and be put on trial.

He was deposed in 1984 after 32 years as premier and 26 years at the head of the Mongolian People's Revolutionary Party. "Mongolian brothers and sisters! To your horses!" the largest banner proclaimed.

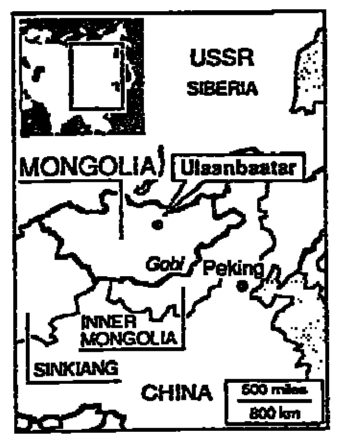
President Zhambyn Batmunkh, 63 (left), replaced Yumshagin Tsedenbal as general secretary of the Mongolian People's Revolutionary Party in August 1984, becoming head of state in December 1984. In the 1950s he taught at the Mongolian State University, and for 10 years until becoming Party General Secretary headed the Council of Ministers. A slow, committed reformer since becoming president, he once said: "We are talking in the new way but still working in the old."

State television reported the protest briefly on Sunday evening but the main newspapers such as Unen did not.

But yesterday, Unen said the union was going too far in its demands for reform, and in a television broadcast ordering the ban on demonstrations, the regime's ideology chief, D. Tsahilzhan, accused the opposition group of following Western and East European ideas.

According to Tass, the Soviet news agency, the union is claiming 60,000 members, which would compare with 75,000 for the ruling communist People's Revolutionary Party.

The previous protests apparently had the permission of the authorities and there has even



been some suggestion that the authorities might have organised the demonstrations themselves to allow people to let off steam.

But the authorities now seem anxious that they might not be able to keep the MDU and its demonstrations under control if these continue to get bigger.

Mongolia, the land-locked butt of as many jokes about distance and obscurity as Timbuktu, is the second oldest communist state after the Soviet Union, having declared independence under Russian protection in 1911 when the dynasty of Mongol princes fell.

A revolutionary government took power in 1921 and the people's republic was proclaimed in 1924.

The early rulers were ruthless and special commissions have been set up to rehabilitate people purged under the repressive régime of Choibalsan in the 1930s.

Although the dictators of this period have, like Stalin in the Soviet Union, now been discredited, their statues still stand in Ulan Bator.

The statues are now daubed with paint, and people are demanding that they be removed.

There have been complaints within the party for some years about the lack of economic progress in the country of 2m people which remains a predominantly pastoral economy.

Some limited reforms have been introduced with a streamlining of central planning ministries and new proposals on education and morality.

Unen has defended the party's policies, saying 1989 was a year of searching for "radical ways to change the party's inner life".

The protests so far suggest that reform is too slow for the people; the question now is whether they will be prepared to brave both the authorities and the January climate – average temperature, minus 26 – and gather in the city centre again tomorrow.

Growth of money supply sparks interest rate fears

By Stefan Wagstyl in Tokyo

JAPAN'S money supply grew faster last month than in November, prompting fears that the Bank of Japan may have to increase interest rates once more to stave off the threat of inflation.

But the central bank said the increase in the money supply would not necessarily lead to another rise in the Official Discount Rate, a key short-term lending rate.

Concern about rising interest rates has been a big reason behind the sharp fall in stock and bond prices in Tokyo since the beginning of the year.

According to figures announced yesterday, the money supply in December grew by 10.6 per cent compared with December 1988, against a 9.9 per cent increase in November.

This increase in the growth rate follows several months of steady reductions brought about mainly by a steady tightening in monetary policy by the central bank, including three increases in the ODR last year. The Bank of Japan has set a target of 9 per cent for money supply growth in the first quarter of 1990, against an estimated growth rate of 10 per cent in the three months to December.

Meanwhile, in a separate report, the central bank said it was concerned that labour remained in short supply. It would watch the impact of labour shortages on domestic prices.

Kashmir chief minister quits in row with Singh

THE government of the Indian state of Jammu-Kashmir has resigned, clearing the way for direct rule from New Delhi in an attempt to control escalating agitation by Moslem separatists, AP reports from Jammu.

The Chief Minister, Mr Farooq Abdullah, resigned after alleging he was not consulted on the appointment of the central government's representative to the region.

Earlier, the central government appointed Mr Jagmohan, an official with a reputation for strict administration, as the state's governor.

Mr Abdullah's National Conference party is closely aligned with the Congress Party of the previous Prime Minister, Mr Rajiv Gandhi, and has clashed with Mr V.P. Singh's government over tackling the separatist agitation.

So far this month, 26 people have died in Jammu-Kashmir, where 64 per cent of the population are Moslems, and there have been repeated attacks on government buildings and police patrols, by Moslem agitators.

Israeli police arrest leader of Arab uprising

By Hugh Carnegy in Jerusalem

ISRAELI police yesterday arrested Faisal Husseini, the prominent Palestinian regarded by the authorities as the principal orchestrator of the two-year-old Arab uprising in the occupied territories. Mr Husseini, who spent most of the first year of the uprising under detention without trial, was being questioned about allegations that he paid five intifada activists to buy uniforms.

The move against Mr Husseini appeared partly aimed at placating right-wing pressure in Israel to jail him. It followed orders barring him from the occupied territories or from travelling abroad. The latter ban drew criticism from the US which regards Mr Husseini as indispensable to peace efforts.

Mr Husseini, a patrician figure strongly identified with the Palestine Liberation Organisation, supports coexistence between Israel and a Palestinian state. He has urged Palestinians to court Israeli, not US or world public opinion.

Maghreb's reluctant summiteers to meet

By Francis Ghiles

THE Arab Maghreb Union is a club which has got off to an unpromising start. Founded last February, it brought together Algeria, Libya, Mauritania, Morocco and Tunisia.

Tomorrow it starts only its second meeting. Tunisian President Zine El Abidine Ben Ali, who is to host the meeting, had found it difficult to get members to agree to a date, not least because Colonel Moammer Gadaffi, the mercurial Libyan leader, who always purports to be keen on union among Arab states, appears to have lost all interest in North Africa. "He is having a fling with an old mistress," commented one diplomat of the Colonel's now rekindled love affair with Egypt.

Two other conflicts have also soured relations between members who though they are all committed to the Union, disagree on what form it should take. What, 12 months ago, looked like the promise of a real dialogue between King Hassan and the Polisario Liberation Front, broke down in June when the Moroccans refused Polisario's offer to release 200 of the estimated 2,000 Moroccan prisoners. The resulting stalemate led Polisario guerrillas to launch attacks last autumn, in which hundreds died on both sides, against the royal army in the Western Sahara.

The Moroccan monarch feels he is in a strong position and has little room domestically to make concessions. The turmoil in Algeria, which remains the Polisario Front's major backer, has reinforced the conviction of many Moroccans that their best bet is to sit tight and wait for Polisario to disintegrate. The stalemate has led to a deterioration in relations between Algeria and Morocco but not to any serious threat to diplomatic relations, which were only re-established in 1988 after a 12-year break.

Relations between Morocco and Mauritania have sharply deteriorated as a result of the bloody conflict between the latter and Senegal. Mauritania feels King Hassan has taken a pro-Dakar stance.

A third factor is also at play. Algerian leaders, who traditionally are power brokers in the region, are absorbed by the political and economic reforms ushered in by the riots of October 1988.

DPP speaks of inquiry on case of Stalker friend

By Ian Hamilton Fazey and Alison Smith

MR Allan Green, the Director of Public Prosecutions, has asked Mr James Anderton, the Chief Constable of Greater Manchester, to consider holding an inquiry into the collapse of the trial for fraud of Mr Kevin Taylor, the Manchester businessman at the centre of the Stalker affair.

At the trial, which was discontinued this week when the prosecution suddenly decided to offer no more evidence, detectives were said to have misled a judge in getting an order for access to Mr Taylor's bank account.

The announcement came after Mr David Waddington, the Home Secretary, had rejected calls for an inquiry into the Stalker affair, and the Greater Manchester police authority set up its own inquiry.

The Manchester force yesterday said it would consider whether an inquiry was appropriate after it had studied the transcript of trial and other material. Mr Taylor is a friend of Mr John Stalker, who as Deputy Chief Constable of Greater Manchester in 1986, was removed as head of a police inquiry into allegations that the security forces in Northern Ireland had adopted a "shoot to kill" policy.

Mr Stalker claims to have minutes of a meeting suggesting that senior civil servants in the Cabinet Office and Home Office discussed his removal. He offered yesterday to produce the document for "someone with access to the Cabinet."

Mr Waddington, speaking on Merseyside yesterday, denounced "conspiracy theories" surrounding the affair. Mr Stalker was suspended after allegations that he had associated with "known criminals."

Mr Taylor's trial was abandoned yesterday after four months. His legal advisers said yesterday they would seek "exemplary" damages – possibly exceeding £5m – against Greater Manchester police.

Sir Patrick Mayhew, the Attorney-General, will face pressure from Mr John Morris, his shadow counterpart, in the Commons next week. Mr Morris has already put down a question asking Sir Patrick for a statement on the discontinuance of Mr Taylor's trial

Mr Waddington, who was visiting Merseyside police, said: "I see no reason for an inquiry.

"Because of the nature of the allegations being made against Mr Stalker, the Chief Constable of Greater Manchester [Mr James Anderton] sought advice from the Inspectorate of Constabulary and came to the conclusion that he really had no option but to suspend him pending the investigation into the allegations which were being made.

"I cannot see that that was any other than completely proper. The consequence of Mr Stalker being suspended was that he could not carry on the investigation in Northern Ireland. Mr Colin Sampson [the chief of the West Yorkshire Police] therefore took up the reins. My recollection is that Mr Sampson came to the same conclusion as that which had previously been tentatively expressed by Mr Stalker, namely that there was not a shoot-to-kill policy."

Mr Stalker said he was not prepared to give the media the document about the alleged Cabinet discussion on his removal or to further "any sort of political campaign." However, government "sources" working through the media had called for the document. He was prepared to help any "properly constituted" inquiry.

Mr Anderton attended yesterday's meeting of his police authority, at which it agreed on its own investigation, but he said nothing about the Stalker affair.

Mr Stephen Murphy, the authority chairman, said: "We are going to get to the bottom of the whole affair."

The authority is to take legal advice on how to conduct the inquiry "because of the possibility of pending litigation" - understood to be a reference to possible compensation claims by Mr Taylor. A brief statement read to the authority's monthly meeting in Salford announced the most effective method of carrying out the inquiry would be sought to ensure "the full facts are made available."

Counsel would advise the police authority "upon any action which it may be necessary to take arising from the withdrawal of the prosecution."

John Stalker: suspended from Manchester police over allegations of associating with "known criminals"

McAlpine sets up co-operative link with French group

By Andrew Taylor, Construction Correspondent

ALFRED McAlpine, the British building and civil engineering group, has signed a co-operation agreement with Dumez, one of France's biggest construction companies, to pursue projects in the UK and on the Continent.

British companies have been involved in a wave of co-operation and joint venture agreements involving strategic stake-building and takeovers among European construction companies ahead of the 1992 deadline for dismantling trade barriers.

Mr Robert McAlpine, chairman and chief executive of Alfred McAlpine, said Dumez was attempting to develop European markets by creating a loose federation that would allow co-operation on large projects while allowing individual companies to remain independent.

"This is very much the Continental style of doing things," he said.

The French group, which last year generated pre-tax profits of FFr 810m (£85m) on sales of FFr 30bn, said it planned to increase its stake in McAlpine from 4.7 per cent to a maximum of 12 per cent.

Pre-tax profits of McAlpine have fallen recently because of loss-making public sector contracts, mostly for roads, won between 1986 and 1988.

Dumez is hoping to use McAlpine's civil-engineering expertise to take advantage of increased investment by Britain on water and power projects after the privatisation of the water and electricity industries. Dumez last summer signed a co-operation agreement with Dyckerhoff and Widmann, the West German contractors.

It also has 34 per cent stake in Compagnie François d'Entreprises, the Belgian construction group, and 60 per cent of Copisa in Spain.

Other joint ventures involving UK and Continental contractors have included:

- Hochtief, a West German construction group, which last year acquired a 22.9 per cent stake in Rush & Tompkins, the UK developer and contractor;
- Bilfinger and Berger, also of West Germany, which last September bought a 15 per cent stake in Birse Group, the British construction and and plant hire company;
- Société Générale d'Entreprise, whose chief shareholder is Compagnie Générale des Eaux, France's largest water company, which last January acquired a 52 per cent stake in Norwest Holst, the British engineer;
- Bovis, the British construction management group, has a 15 per cent stake in in the French builder Les Constructeurs Professionels Associés with which it has formed a Paris-based management contracting joint venture;
- John Brown, the engineering subsidiary of Trafalgar House, has a 40 per cent stake in Sofreside, France's second-largest process plant developer, and a separate joint venture with Sener Ingenieria y Sistemas, a Spanish construction group.

Management buy-outs at record level

By Charles Batchelor

RECORD NUMBERS of management buy-outs were arranged in 1989 in spite of the well publicised difficulties experienced by buy-outs in the retailing sector, such as MFI, Magnet and Lowndes Queensway, according to Nottingham University's Centre for Management Buy-Out Research.

The centre's annual analysis of buy-outs showed a 50 per cent rise in the market value of deals to £7.5bn and a 10 per cent increase in the number of deals to 500. Buy-ins, in which outside managers acquire control of a company, showed the strongest growth as the deal-making institutions improved their ability to match management teams with target companies.

However, large buy-outs are expected to continue to face difficulty this year. Apart from the refinancings that have been necessary, there has been a sharp increase in receiverships of smaller deals.

The centre said there was a concentration of hardship in sectors such as retailing and textiles and where companies were heavily dependent on narrow market niches. However, such obstacles faced all companies, not just buy-outs, the researchers noted.

High interest rates and poor market prospects in some sectors have produced a crisis of confidence among institutions. Occasional investors and some foreign banks have been particularly affected.

The researchers said banks that had backed buy-outs in the hope of making short-term profits were likely to face trouble, but investors with a longer-term perspective would be in a stronger position. This year seemed likely to see the first fall in the number of institutions willing to back buy-outs, the researchers forecast.

Buy-outs resulting from divestments by foreign-owned companies fell to their lowest level ever in 1989 while the number of privatisations was also lower. This year is expected to produce a significant number of buy-outs from local authorities and the ancillary health services.

Stock market flotation has declined in popularity as a means for investors to realise their profits while trade sales have become more numerous.

Labour has 'altered rhetoric, not policies'

By Ivor Owen, Parliamentary Correspondent

THE LABOUR Party has used presentational skills to hide the fact that its underlying policies have not changed, Mr Kenneth Baker, the Conservative Party chairman, said in the Commons yesterday.

He pointed to references to the economy and defence in Labour's policy review document, Face the Challenge Make The Change, to support his argument that the party had altered its rhetoric rather than its policies.

Mr Baker accused Labour leaders of "duplicity" and complained that Mr Neil Kinnock, the Labour leader, had failed to reply to a letter listing 52 questions designed to resolve uncertainties over the party's economic policy.

He also said that Labour had merely given the appearance of altering its commitment to unilateral nuclear disarmament. Mr Baker said Labour was still essentially corporatist and dirigiste, and that it still aimed to increase state ownership and taxation.

LABOUR MPs yesterday demanded an inquiry into a breach of security that enabled a member of the Conservative Party's research department to gain access to a seat in the officials' box within the precincts of the Chamber, which is reserved for civil servants.

Mr Dennis Skinner (Lab, Bolsover) emphasised that the official would have had to pass through a high-security area used by the Prime Minister and other party leaders.

He alleged that security staff had been induced — "almost intimidated" — by Mr Kenneth Baker, the Conservative Party chairman, to permit him to enter the box.

Mr Baker, who was the chief government spokesman in a debate on Labour policy, apologised to the House. He said: "Certainly there should not have been an official from Conservative Central Office in the box for civil servants."

His charges were brushed aside by Mr Bruce Grocott, from the Opposition front bench, who emphasised that as far as Labour MPs were concerned, the sooner the next election was held the better.

He insisted that Labour could not be expected to "dot every i and cross every t" in its policy statements because it was impossible to know the extent of the "mess" it would inherit from the Government.

Mr Grocott contrasted the Government's attitude to company directors receiving a 72 per cent increase in their take-home pay to its attempt to force the ambulance workers to accept a 6.5 per cent increase.

When challenged by Mr Baker, Mr Ken Livingstone (Lab, Brent East) admitted that he favoured the restoration of exchange control as a means of limiting the outflow of capital to provide sufficient funds for the investment needed to strengthen Britain's manufacturing base.

- A Commonwealth of Europe, with its own council of ministers and a directly elected assembly, was suggested by Mr Tony Benn, the former Labour Cabinet Minister, in a speech in Jersey last night.

He said that every nation should be able to proceed with harmonisation at its own pace, in accordance with the aspirations of its own people as expressed through democratic elections to its parliament.

Mr Benn advanced the idea of a Commonwealth of Europe as a means of allowing for recent developments in Eastern Europe which clear the way for Nato and the Warsaw Pact to be replaced by a non-nuclear security pact.

He envisaged the withdrawal of all foreign troops, and a switch to an arms conversion programme in support of civil development in Europe and in the Third World.

NEWS IN BRIEF

Paper group sheds almost 400 jobs

NEARLY 400 people are to lose their jobs at the Barrow, Cumbria, plant of Scott Ltd, Europe's biggest paper tissue maker, products of which include Andrex and Scotties.

Mr John Whitley, the site manager, blamed foreign competition – 290 jobs are to go this year, 90 this month. The rest of the redundancies would be spread over the next two years.

The company, owned by Scott Paper of the US, has a plant in Northfleet, Kent, and six on the Continent.

NHS party to stand

THE newly formed NHS Supporters Party is to put up its first candidate, who will fight the Mid Staffordshire by-election.

The party opposes the Government's planned reforms of the health service. The contest follows the death of Mr John Heddle, the Conservative MP. No date has been announced and the candidate has not yet been named.

Brokers suspended

FIMBRA, the regulatory body for financial advisers and brokers, has suspended three of its members.

Hardwick Investment Management of Lyme Regis in Dorset has been told to cease investment business. No reason was given.

Fimbra also suspended two firms for non-payment of membership fees. These are Godlin Management and Financial Services of Croydon, and Turner Johnson Life and Pensions of Leicester.

Car output last year highest for 12 years

By Kevin Done, Motor Industry Correspondent

UK CAR production increased by 5.9 per cent last year to 1.299m, the highest level since 1977, according to preliminary figures from the Central Statistical Office.

Commercial vehicle output rose 4.0 per cent to 329,888, the highest level since 1980, although output of both cars and commercial vehicles slowed during the second half of 1989 as the UK vehicle market weakened.

Car production in the second half of the year was 5 per cent below the level of the first six months, on a seasonally adjusted basis. Output in December was lower than for any month of 1989, seasonally adjusted, except August.

Output of commercial vehicles in the second half of the year was 8 per cent lower than in the first half of the year and 11 per cent lower than in the the corresponding period a year ago.

Most UK truck makers have begun 1990 with lay-offs and short-time working.

The UK motor industry expects car production to rise significantly during the 1990s, however, as the various Japanese assembly plants under development by Nissan, Honda and Toyota increase output and build up exports to continental European markets.

Japanese car output in the UK will exceed 500,000 cars a year by the mid 1990s.

The increase in UK car production in 1989 has been led by a jump in output for export markets led by Nissan of Japan and Peugeot of France.

Output from Nissan's Sunderland car assembly plant increased by 60 per cent in the first nine months to 60,653.

Nissan, which began production in the UK in 1986, started exporting cars from the UK to continental European markets in October 1988. It is gradually increasing its production capacity to a planned 200,000 cars a year in 1992-93.

Peugeot raised its output by 28 per cent to 75,833 in the first nine months after moving to double-shift working in spring 1988.

BZW moves into investment trust sector

By Nikki Tait

BZW INVESTMENT Management, part of the investment banking arm of Barclays, is moving into the investment trust field for the first time with the launch of a £70m fund specialising in convertible stocks.

Although BZW's market-making arm is one of the largest dealers in trust shares and its corporate finance department has been involved with various bids and reconstructions in the sector, the fund management side has never run an investment trust stable.

That contrasts with its position in the rival unit trust industry, where it manages the Barclays Unicorn funds.

BZW said it had plans to build a stable of perhaps half a dozen investment trusts over the next five years. It suggested that they would probably be fairly specialised and innovative trusts – rather than general funds.

The first trust, BZW Convertible Investment Trust, will invest mainly in the UK convertible market.

Convertibles normally offer a higher yield than the corresponding ordinary shares but trade in a less volatile fashion. The market in convertibles has expanded significantly in recent years and, at the end of 1989, was worth about £16bn with around 330 securities available.

BZW says it may employ "synthetic" convertibles – a mixture of warrants and fixed-interest securities that can be combined to create similar characteristics to those of convertible stocks.

BZW is offering 50m ordinary shares for subscription at 100p each.

Of those, some 12.5m will be available to the general public.

The fund managers will raise another £20m from the sale of index loan stock in the trust, but that will be placed with institutions and is not available to investors generally.

The projected gross yield on the ordinary shares will be about 10 per cent at the offer price. Provision exists to wind up the trust in 1996 – a fairly common feature in new trusts, and seen as a means of reducing the gap that can develop between the value of the fund's assets and its share price.

Bank offers conversion to gilt holders

By Martin Dickson

THE BANK of England yesterday continued its efforts to improve the liquidity of the gilts market by inviting holders of the 9¾ per cent Conversion Stock 2001 to convert into the 10 per cent Treasury Stock 2001.

The move is the third in a series of conversions, begun last autumn, designed to improve the liquidity of the market by changing less popular, poorly traded issues into more attractive ones. There is no profit to investors, whose main incentive to convert is not being left with an even less liquid issue.

The conversion rate is £98.55 nominal of 10 per cent Treasury 2001 for £100 nominal of the 9¾ and the offer closes on February 7. There is £802m of the 9¾ outstanding, £711m of it held by the market, and £1.05 bn of the 10 per cent 2001, £856m with the market.

The Bank announced earlier this week that its last conversion offer had received acceptances covering 92 per cent of the outstanding 12 per cent Exchequer Stock 1999-2002, which was being merged with 12 per cent Exchequer 1998. The first conversion offer received a 98 per cent take-up.

Ulster warrior may lower the drawbridge

Ralph Atkins on why Unionist leader James Molyneaux is ready to talk about talks

MR JAMES MOLYNEAUX, leader of the Ulster Unionist Party for the last 10 years, surveys the political landscape with the experienced eye of a battle-scarred commander. He claims to be able to spot manoeuvres by the Northern Ireland Office a mile off. This week, he says he has seen progress.

For Mr Peter Brooke, the Northern Ireland Secretary, capturing the heart of Mr Molyneaux would be an achievement indeed. His party polls the largest support among the province's unionists – an embittered community that often believes it has been sold out by the British Government.

As the stubborn defender of the province's link with the mainland, he likens his job to that of a general with an army that "isn't making anything much in terms of territorial gains but has the satisfaction of repulsing all attacks on the citadel."

He is not an easy target for a government trying to bridge nationalist and unionist communities. Mr Molyneaux's opposition to the four-year-old Anglo-Irish Agreement, which gives a role to the Irish Republic in the affairs of the province, still verges on the vitriolic. But he has the patience to play a waiting game.

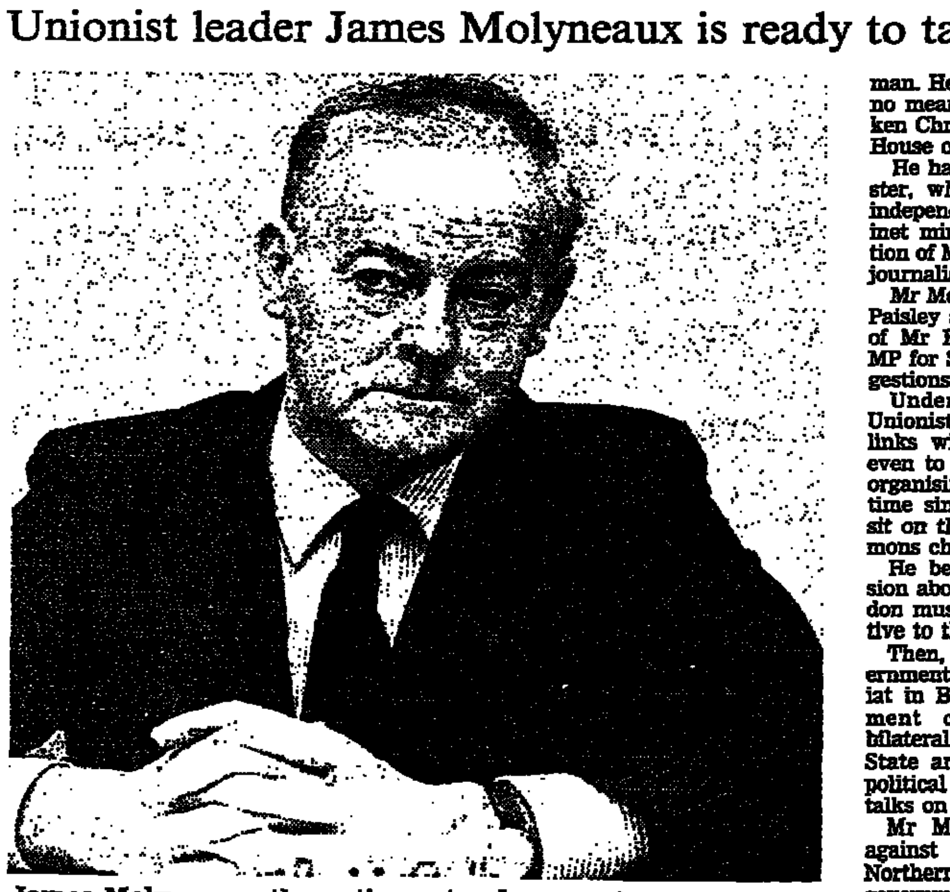
"It is great fun to sit quietly and listen to what people say [if you] don't go over the top on anything . . . to see and identify the moves of the enemy – namely the Northern Ireland Office," he says.

Last week in a speech in Bangor, Mr Brooke saw "enough common ground" to make talks about a devolved administration worth while.

Mr Molyneaux has reacted favourably – but is still fighting on his terms. "It didn't close any doors but on the other hand it didn't say anything new," he says.

What he has noticed is that Mr Brooke adopts a more conciliatory tone than his predecessor. "Mr Tom King tended to get a bit abrasive at times and in your absence would lecture you through the audience of the CBI in Northern Ireland or something like that."

Mr Molyneaux has clear ideas about how politics in the province should evolve – and it is not a pattern easily squared with that envisaged by the Government.



James Molyneaux: the patience to play a waiting game

Born in 1920, Mr Molyneaux served with the Royal Air Force in the Second World War, and wears his medals proudly on Remembrance Day. He was MP for South Antrim for 13 years until 1983 and then for Lagan Valley.

His politics are soaked in Northern Ireland's sad history. In spite of the continuing terrorist killings, there has been little movement towards peace in the province. The Government's long-cherished aim of setting up a devolved administration has been thwarted repeatedly by a failure to get the constitutional parties to work together.

He has been active with other unionist leaders in the "Ulster says No" campaign against the Anglo-Irish Agreement. He resigned his Westminster seat in protest, to be returned with a 30,000 majority at the subsequent by-election.

Mr Molyneaux – often overshadowed in the public eye by the Rev Ian Paisley, leader of the Democratic Unionist Party – is a shrewd politician.

Many suspect he is a closet "integrationist" – favouring closer links with the mainland rather than a devolved administration. He has to hold his party together, however, and offer at least an olive branch to the Northern Ireland Office. What some fear is that he will settle for nothing less than complete Unionist rule in the province.

Mr Molyneaux, the political warrior, is unlike Mr Molyneaux the private man. He is canny and confident but by no means arrogant. He is a softly spoken Christian and a regular attender at House of Commons prayers.

He has a strong respect for Westminster, where he values his role as an independent leader. He jokes about Cabinet ministers and does a cruel imitation of Mrs Margaret Thatcher lecturing journalists on Northern Ireland politics.

Mr Molyneaux works closely with Mr Paisley and has long been an associate of Mr Enoch Powell, former Unionist MP for South Down, but he denies suggestions that he is a puppet of either.

Under his leadership, the Ulster Unionists have broken their traditional links with the Conservative Party – even to the extent that the Tories are organising in the province for the first time since the 1920s. The party's MPs sit on the Opposition side in the Commons chamber.

He believes that before any discussion about devolution, Dublin and London must agree to consider an alternative to the Anglo-Irish Agreement.

Then, he says, the regular intergovernmental conferences and the secretariat in Belfast set up under the agreement could be suspended while bilateral talks between the Secretary of State and each of the constitutional political parties took place. Round-table talks on devolution might follow.

Mr Molyneaux denies that he is against a coalition administration for Northern Ireland. He is suspicious of government motives, though, believing ministers would seek an automatic place for the mainly Roman Catholic Social Democratic and Labour Party.

"I'm not objecting to having Catholics in the Cabinet," he says. "I'm objecting [to the idea] that you must have one named party always in the government of Northern Ireland, and if that one party pulls out in protest, the whole thing collapses."

Mr Molyneaux responded promptly and positively to Mr Brooke's calls for talks. "They didn't expect me to say that. They thought I'd be bloodyminded or something," he laughs. But he will be on the defensive. If he insists on not giving ground, the movement he has spotted from the Northern Ireland Office might end up in the history books as a short-lived advance.

Labour seeks curb on Murdoch

LABOUR yesterday tabled amendments to the Broadcasting Bill which would force Mr Rupert Murdoch to reduce his interest in News International, his UK newspaper company, or give up control of Sky Television, his satellite television company.

The bill proposes that restrictions on media ownership apply only to those buying the new Channel 3 commercial licences and to British Satellite Broadcasting, which operates five direct-broadcasting-by-satellite (DBS) frequencies.

Mr Robin Corbett, Labour's broadcasting spokesman, said: "It is unacceptable that Mr Murdoch, who has such powerful media control worldwide, should be treated separately." The Government is unlikely to accept the amendment. It says that the proposed constraints are necessary because the frequencies concerned are scarce. But because Sky broadcasts on frequencies which are not scarce, its operation does not deprive anyone else.

Scientists cautioned over ventures in Soviet Union

By David Fishlock, Science Editor

SOVIET biotechnologists want to collaborate with Britain in commercial as well as scientific joint ventures and are inviting investment in Soviet start-up companies, a seminar in London was told yesterday.

However, Dr Roderick Greenshields, as chairman, admitted that there was still "some vagueness" on whether any profit could be brought back to the West.

The seminar was the sequel to a mission by British biotechnologists to the Soviet Union last autumn at the invitation of Russian scientists.

It was led by Dr Greenshields, managing director of GB Biotechnology, to explore opportunities for technology transfer in both directions, under the auspices of the Department of Trade and Industry's overseas science and technology expert mission (Ostem) programme.

Dr Ron Coleman, the DTI's chief engineer and scientist, said Ostem tried to encourage industry to investigate the 95 per cent of technology that was being created outside the UK.

He said: "If we only think about what happens in these islands, then we'll get it wrong."

Russian biotechnologists were seeking Britain's help because they found difficulties in selling their products in the Soviet Union and because they needed hard currency to help to buy Western equipment and chemicals, Dr Greenshields said.

They also had spare research capacity that they could offer at attractive prices, there were less rigorous environmental regulations, and some research facilities were lavishly equipped by any standards, mostly by Western companies.

Dr Brian Richards, chairman of British Biotechnology, described a pilot plant just commissioned by the Shemyakin Institute of Bio-organic Chemistry in Moscow, at a cost of £45m. The Finns had been the main contractor, with Swiss, German and UK companies contributing equipment.

However, the seminar was told that Soviet ideas of the marketplace could be summed up by the scientist who said: "Well, we haven't enough of anything, so anything we make will sell."

UK NEWS

Bank reassures City on £10bn surge in lending

By Rachel Johnson

BANK AND building society lending increased sharply to £10.3bn in December, unsettling financial markets until the Bank of England and the Treasury issued reassuring statements to explain the surge.

December's lending figure was more than twice the £4.8bn rise of November. The City had been lulled into expecting about £7bn by the modest increases of about £5bn in the previous two months.

Analysts attributed the unexpected rise to "distressed borrowing" of an estimated £5bn in December, as companies borrowed heavily to finance high stock levels and pay interest charges on overdrafts.

The London stock market lost 10 points as it digested the potential impact of big borrowings on corporate results and profit margins.

"Equities didn't like it all, but gilts took it remarkably well," said Mr Peter Spencer, economist at Shearson Lehman Hutton, the London securities house. The equity market regarded the figure as a sobering confirmation of recent figures showing record industrial and company borrowing, he said.

The authorities, however, sought to play down any negative effects with an unusually detailed explanation for the lending figure.

Interest crediting and charging, the water industry privatisation and lending for takeover bids were high on the Bank's list of factors that had caused December's unusual growth in bank lending.

The authorities said that bank lending had averaged £7.3bn over the past six months. The slowest growth in lending for the past two years was in the last quarter of 1989, they said. The Treasury also issued a calming statement. "The Government's resolve to bear down on inflation through tight monetary policy and a sound fiscal policy remains firm and strong," it said.

However, M0, the narrow money measure consisting of mainly notes and coins in circulation, rose by a seasonally adjusted 0.9 per cent in December. That showed as a year-on-year rise of 6 per cent, which was still faster that the 1-to-5 per cent growth rate targeted by the Treasury. The seasonally adjusted annual rate in the three months to December showed a sharp increase of 9.5 per cent.

The M4, the broad measure of money supply, which includes bank and building society deposits, grew by a seasonally adjusted 2.2 per cent in December, the second-highest growth rate on record. Over the whole of last year, M4 grew by 18.1 per cent.

CONSUMERS' expenditure in Britain was estimated to have risen by a real, inflation-adjusted 1.2 per cent in the final quarter of 1989 and was 3.5 per cent higher than in the last three months of 1988, the Central Statistical Office said yesterday, writes Peter Norman, Economics Correspondent.

The CSO said that yesterday's announcement marked the end of monthly publication of preliminary consumer spending data. The estimate has been based on insufficient firm information and has therefore been subject to "unacceptably large" revisions in later published data on the UK gross domestic product.

The CSO said that at 1985 prices, seasonally adjusted consumer spending was an estimated £68.6bn in the latest quarter compared with £67.8bn in the third quarter of 1989 and £66.3bn in the fourth quarter of 1988. Over the whole of last year, consumer spending increased to £270.9bn at 1985 prices from £259.7bn in 1988.

Stricter safety limit is set for radon gas

by David Fishlock, Science Editor

THE SAFETY limit for radon gas in homes has been halved. Studies on miners exposed to radon at work and on experimental animals have suggested that radon is a greater cause of cancer than has previously been believed.

Radon seeps naturally from rocks, particularly those containing uranium, and has been found in high concentrations in some homes, particularly in south-west England.

The revised safety limit increases the estimated number of homes affected in this region from 25,000 to 60,000, some 12 per cent of all homes.

Mr Bryan Gould, the shadow environment secretary, said a duty should be imposed on local authorities to monitor radon – Labour would table an amendment to the Environmental Protection Bill now in the Commons.

NRPB Statement on Radon in Homes. HMSO. £5

Policy change for research councils

By David Fishlock

THE Advisory Board for the Research Councils is to be reduced in size and given a remit to promote greater harmony between the five research councils, Mr John MacGregor, the Education and Science Secretary, said in a Commons written reply yesterday.

Sir David Phillips, the Oxford University biophysicist, is to continue as chairman of the reconstituted board, and effectively as the Education and Science Department's part-time chief scientific adviser. But he will chair a board reduced from it present 26 members to only 14, following advice the board itself gave the Government last year.

The Government is still weighing the board's recommendations for closer co-ordination between two of the research councils – the Agricultural and Food Research Council and the Natural Environment Research Council.

Scots assembly would not increase tax, backers say

By James Buxton, Scottish Correspondent

CAMPAIGNERS for a separate Scottish parliament yesterday denied Conservative Party claims that a Scottish parliament would have to increase taxes, driving business away.

"It is simply not true that a Scottish parliament would be compelled to levy higher taxes," said Canon Kenyon Wright, general secretary of the Scottish Churches Council and chairman of the executive committee of the Scottish Constitutional Convention, which is drawing up a scheme for devolution.

It was not true "that ours is the only nation in the whole of western Europe where devolved government would not actually benefit industry and where we need highly centralised decision-making for the sake of prosperity." Such assertions would have to be met "by sophisticated and compelling arguments," he said.

Canon Wright was opening a formal session in Glasgow of the convention, launched nearly a year ago and backed by the Labour and Liberal Democrat parties. It is boycotted by the Scottish National Party and by the Conservatives, who this week made a concerted attack on it, claiming devolution would destroy business confidence and lead to a reduction in the number of Scottish MPs at Westminster.

Canon Wright said the convention had achieved some consensus on a scheme for a Scottish parliament, and a good response from to its consultation document, but "we must honestly admit that there is still a degree of apathy to be overcome."

Lord Mackay of Clashfern, the Lord Chancellor, last night joined the criticism of the convention, accusing opposition parties of "forgetting the immense benefits to Scotland of a unitary parliament."

Speaking in Edinburgh, he said the voice of Scotland in the Cabinet and at Westminster was "of crucial significance to the people of Scotland." He continued: "Anything which threatens or diminishes Scotland's voice at the very highest levels of government within the kingdom must be to its detriment both politically and economically."

Mr Alastair Darling, Labour MP for Edinburgh Central, said the convention should not concentrate too much on "big ideas." He said: "The question Scots will be asking is what is a Scottish parliament going to do about me and my family."

Mr Campbell Christie, general secretary of the Scottish Trade Union Congress, said the "virtual disappearance of the major independent Scottish-headquartered company" and the internationalisation of industries such as aerospace had weakened the case for an independent Scotland but strengthened that for a Scottish parliament with wide powers. It should have "strategic economic planning powers" for industries such as whisky, textiles, and fisheries, which were not inextricably integrated in UK industry, he said.

EMPLOYMENT

Post Office strikes declared unlawful

By Our Labour Editor

STRIKES BY Post Office counter staff in London over plans to transfer staff in 250 offices to different employment conditions were yesterday ruled to be unlawful by the Court of Appeal because of flaws in a ballot.

The Union of Communications Workers undertook not to hold any more strikes using the ballot, which was conducted in 1988, as part of the union's attempt to resist the transfer of 250 Crown Offices to sub-post office or agency status.

The union has resisted the transfers because they mean members in affected offices will no longer be employed by the Post Office under national wages and conditions agreements with the union.

Lord Donaldson, the Master of the Rolls, said the court believed the mandate for industrial action immune from claims for civil damages had expired, and the ballot paper had also been improperly worded.

The ruling followed an appeal by the Post Office against a High Court decision not to grant it an injunction against the union.

Weir Group moves on hours reduction

By Michael Smith, Labour Correspondent

WEIR GROUP, the Glasgow-based engineering group, yesterday moved to remove its name from a union strike target list by offering to start negotiations on a 37-hour week with manual workers in its pumps division.

The company joins Rolls-Royce, Smiths Industries, British Aerospace and GKN and several dozen smaller companies in conceding the principle of a two-hour cut. Its decision strengthens the growing belief a 37-hour week will shortly be widespread throughout engineering.

Weir is one of four companies which are being considered by unions as potential targets for indefinite strikes in the hours campaign.

But companies not immediately affected by stoppages are increasingly making hours concessions.

Bonas Machine, a precision engineering company on Tyneside, said yesterday it had agreed the phased introduction of a 37-hour week for 184 manual workers, to be implemented by January 1 1992.

Mr Jeff Gosling, finance director, said the company felt a shorter working week was inevitable and it was better to be progressive than resist it. The move to shorter hours was accompanied by a 7.2 per cent increase in basic wage rates.

The move at Weir directly affects the 1,300 manual workers in the pumps division. But Mr Ron Garrick, chief executive, indicated yesterday that the group would be likely to make similar offers to its 700 other blue collar employees.

In all cases the company would be looking for productivity measures, including flexible working and more efficient use of worktime to offset the costs. Like all other engineering groups which have conceded the principle of an hours reduction Weir could only contemplate self-financing deals.

Ron Garrick: agreements must be self-financing

At Weir Pumps, which employs 2,800 people at three sites, the company is seeking a reduction of 100 jobs to help finance the hours reduction. The company is also expecting the hours issue to be considered with wage negotiations due for settlement in March.

Mr Garrick said the company would be likely to expect skilled employees to perform some functions previously considered unskilled. Semi-skilled workers would be asked to do some jobs presently done wholly by skilled employees.

Under the proposed deal the 37-hour week would be phased in over the next two years.

The unions welcomed the concession of the 37-hour week but said they were resisting the job losses and would need to study the working practice proposals carefully.

Low unionisation at W German subsidiaries

By John Gapper, Labour Editor

THREE QUARTERS of West German subsidiary companies operating in Britain do not recognise unions, despite a much higher proportion of union recognition among their parent companies in Germany, a study has found.

The study of industrial relations in West German subsidiaries belies a traditional assumption that West German companies are more likely than Japanese and American to recognise unions at their British plants.

However, a number of industrial relations orthodoxies in West German industry were not applied in Britain, and many managers in the British plants had little knowledge of industrial relations practice in West Germany.

The research, by Mr Philip Beaumont of Glasgow University for the Anglo-German Foundation for the study of Industrial Society, found that among 227 West German subsidiaries employing more than 250 people, 76 per cent reported themselves as being non-union. The same proportion said their parent company in West Germany recognised unions.

The most likely reason for the high proportion of non-unionism – some 34 per cent of British company plants were non-unionised in 1984 – was thought to be the relatively small size of most of the establishments studied.

Production halted at Ford plant

FORD'S PLANT at Halewood, Cheshire stopped production yesterday after 150 skilled maintenance craftsmen in the transmission section went on unofficial strike, joining 400 craftsmen in the body and assembly areas.

The unofficial strikes are in protest at the company's two-year pay offer of 10.2 per cent in the first year, and inflation plus 2.5 per cent, or a minimum 8 per cent, in the second year.

A ballot is to be held next week to determine whether Ford's 31,800 manual workers will support an indefinite strike to force improvements in the pay offer.

Catering earnings disparity continues

ONE IN FIVE managers in the hotel and catering industry earns more than £20,000 a year and one in ten earns more than £25,000, according to a survey of pay and conditions by Touche Ross management consultants.

The survey shows continuing disparities between male and female earnings in the industry. Although 33 per cent of male managers earned more than £20,000, only 4.8 per cent of women were earning similar salaries.

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A fragile balance

NERVOUSNESS, it seems, is the order of the day in world markets. Yet behind the recent switch from euphoria to neurosis in both equities and bonds lies a paradox that calls for explanation.

The leading industrialised nations are at conspicuously different stages of the business cycle. In one camp are the Anglo-Saxon economies, which are past the peak of the boom and awkwardly poised between inflation and recession. In the other are the world's leading exporting nations, the Japanese and West Germans, who continue to grow fast and for whom the inflationary threat is a more recent preoccupation. But despite the divergence in underlying economic prospects, bond markets in both sets of countries have been weakening simultaneously.

That is not what the textbooks might lead one to expect. Or not, at least, the ones that pre-date the liberalisation of capital flows. For the most plausible explanation of recent events in the capital markets lies in the movement of funds between the world's leading financial centres and, more specifically, in a change of perspective on the part of investors in the world's biggest creditor nation, Japan.

The jittery tone of the Tokyo markets over the past fortnight partly reflects uncertainty over the prospect for the ruling Liberal Democratic Party in next month's elections. But it is also a response to inflationary pressure that has been building up over a long period. For much of the latter part of the 1980s the Japanese authorities were content to operate a loose monetary policy in order to help prop up the dollar ~ an interesting case, in the run up to a US presidential election in which the Japanese government was rooting for Mr Bush, of financial diplomacy directed towards a wider foreign policy goal. But as well as smoothing Mr Bush's path to victory, monetary ease contributed both to asset price inflation and a weaker yen.

Capital outflow

Currency weakness has since been exacerbated by a capital outflow from Japan in excess of the current account surplus on the balance of payments, as Japanese investors have sought higher returns in foreign markets. For much of the past decade they have, in effect, been exporting Japan's asset price inflation. The snag is the adverse impact of a weak yen on import prices, which causes growing concern at the Bank of Japan. While the potential inflationary consequences of higher oil prices and tight conditions in the Japanese labour market had largely been discounted in share and bond prices at the turn of the year, the continuing slide of the yen in January raised the prospect that the Bank of Japan's Christmas hike in the discount rate might not be the last. Hence the evaporation of confidence after the heady boom.

If interest rates in the world's biggest capital exporting nations are likely to rise, capital importing countries – notably the Anglo-Saxons – cannot escape the upward pull on their own rates if they are to continue to attract funds from creditor countries to finance their payments deficits. There lies the explanation for the uniform behaviour of global bond markets. And the Japanese influence is no longer confined largely to bonds: investors have recently been diversifying their foreign portfolios into equities on Wall Street and elsewhere. They were, for example, a contributory factor in both the boom and recent setback in German shares. Once again political uncertainty played a part in the reversal: Japanese and other investors belatedly took fright at the apparent insecurity of Mr Gorbachev's position. But there is also growing concern about the inflationary prospect in Germany.

Wage claims

Big wage claims by the German unions are already discounted in the markets. More pressing now is the suspicion that the extension of West German social benefits to a growing number of East Germans could impose a huge strain on fiscal policy. At the very least the changes in East Germany and in eastern Europe generally suggest that the present level of the West German trade surplus and the recycling of German capital to the rest of the European Community can no longer to taken as given.

That is bad news for those, like Britain, with large deficits, since they will now almostly certainly have to cope with the backwash from a further rise in West German interest rates in due course. Especially when the Chancellor Mr John Major confronts a wage round in which the Ford workers are responding to a 10.2 per cent pay offer with the threat of indefinite strike and yesterday's indication of static retail prices at 7.7 per cent is regarded as cause for relief.

In the long run the prospects for the world economy remain healthy and the inflationary threat looks manageable. But there is a hump to be overcome. For Mr Major an early cut in interest rates must look frustratingly elusive.

Alice Rawsthorn reports on growing investment in the luxury goods industry

A new breed on the catwalk

A special performance will be staged at the Opéra Comique in Paris tomorrow night. The props and paraphernelia of the theatre will be cleared away. The boxes and balconies will be filled by fashion editors, celebrities and socialites.

The Opéra has been commandeered by Christian Lacroix, the hottest *haute couture* house in Paris, to stage the launch of C'est La Vie, its first perfume. The night at the Opéra will be followed by other events and an expensive advertising campaign as Lacroix treats C'est La Vie to one of the most lavish launches the fashion world has ever seen.

The success of C'est La Vie is vital for Lacroix and its backer, Agache, the company controlled by Mr Bernard Arnault, the aggressive young French industrialist. Agache has lost at least £20m on Lacroix since opening the house two years ago. It has budgeted for another year of losses before – or so it hopes – the profits from C'est la Vie come rolling in.

C'est La Vie is the latest assault on the global market for luxury goods. The market exploded in the 1980s when economic growth and conspicuous consumption created an extraordinarily favourable environment for the companies selling expensive extras like Christian Lacroix *couture*, Cartier watches and Louis Vuitton luggage.

That environment is now less favourable. The market is maturing. Consumers are becoming more discerning. The ostentation that characterised the affluence of the 1980s is abating. The industry now faces the challenge of sustaining its growth in the competitive conditions of the 1990s.

Until the 1980s, designer clothes and luggage were still the preserve of the élite. But the economic growth of the 1980s created a new generation of consumers who were able, and willing, to treat themselves to a Chanel suit, a Tiffany trinket or a Mont Blanc pen.

The market expanded in the West thanks to the increase in disposable incomes fuelled by rising stock markets and liberal tax policies. But the most buoyant market of all was Japan. The relentless rise of the Yen enabled the Japanese to indulge an apparently insatiable appetite for European luxuries. The streets of Tokyo, once a sea of men in blue serge suits, are now filled with westernised consumers in Gucci loafers and Hermes scarves.

The old established names of the European luxury goods companies are now internationally recognisable brands. Louis Vuitton's luggage factories in France are working flat out to satisfy demand, as are Mont Blanc's pen plants in West Germany.

The Chanel boutique in Paris has banned customers from buying more than three of its classic quilted bags at a time because of voracious demand from Japanese tourists. Unabashed, the Japanese lurk outside to ask other customers to buy bags for them.

Even *haute couture*, the most esoteric and expensive area of fashion, has enjoyed a renaissance. The gilt chairs alongside the catwalks at this weekend's *couture* collections in Paris will be filled by women who are willing to spend thousands of dollars on a single, exquisitely made frock.

All this growth has attracted a new wave of investors into the luxury industry. Traditionally the industry has been dominated by tiny, family firms with all the attendant problems of poor profitability and squabbling shareholders. These problems provided an opportunity for the new investors to move in.

One by one the Paris fashion houses have fallen into the hands of outsiders. Mr Carlo de Benedetti, the Italian industrialist, is an investor in Yves St Laurent. Midland, one of the biggest British clearing banks, has a holding in Lanvin. Chanel, which is still owned by the Wertheimer family, is the only one of the larger *haute couture* houses to remain in private hands.

The most active investors are the new breed of luxury goods groups. Mr Arnault's Agache owns the Christian Dior *couture* house as well as Lacroix. For months Mr Arnault has been fighting for control of LVMH (Louis Vuitton Moët Hennessy) the French group with a portfolio of prestigious products from Louis Vuitton luggage, to Givenchy fashion and Christian Dior perfume.

Dunhill, which began in business as a London tobacconist selling cigars to Winston Churchill and Somerset Maugham, is now a powerful player in the industry. It has lent its own name to clothing, lighters, watches and perfume and has also acquired Mont Blanc pens and the Chloé fashion house.

Cartier traces its origins to 1840s, when Louis Cartier made jewels for the European aristocracy from his shop on the Rue de La Paix in Paris. Cartier is now a $1bn (£600m) business and has added investments in Piaget and Baume et Mercier to its own watches.

Dunhill is controlled by Rothmans International, the UK cigarette company, which also has a substantial holding in Cartier. Rothmans, in turn, is controlled by Richemont, the Swiss company associated with Rembrandt, the South African industrial group.

These new investors have already made their mark on the industry. They have introduced a new regime of modern management to the sleepy world of the old family firms.

When Mr Henry Racamier arrived at Louis Vuitton in the late 1970s it was struggling as a small company with two shops and annual sales of FFr70m (£7.3m). He opened new shops, moved into new markets and regained control of distribution by withdrawing Vuitton's products from other stores, everywhere except for the US.

The classic brown bag with its LV initials is now a symbol of conspicuous consumption all over the world. Louis Vuitton is one of the most profitable parts of the LVMH empire with 140 shops, sales of FFr4.5bn and profit margins of over 40 per cent.

Tiffany began the 1980s as a subsidiary of Avon, the US cosmetics group. Tiffany dived downmarket under Avon's ownership. By the mid-1980s it was making losses. Avon then sold the business to a management buy-out team.

The management dropped the downmarket products and opened new stores outside the US. Tiffany trinkets in their little blue boxes are now sold in its stores from Manhattan to Munich. Tiffany is profitable and has doubled its turnover – to over $300m (£180m) – since the buy-out.

Other companies are adopting similar strategies. Agache acquired Christian Dior four years ago as part of the ailing Boussac textile empire. Dior was still making money, but at a low level of profitability. It made profits of just £13.5m on sales of £750m in 1988. Agache brought in Ms Béatrice Bongibault – who had made her name at

the house of Chanel – to restore Dior's fortunes.

Ms Bongibault has already overhauled Dior's licensing system by weeding out the weaker licensees – 60 out of the original 260 – and imposing tighter control over the survivors. She has also fired Marc Bohan, who had designed Dior's collections since 1960, to hire Gianfranco Ferre, a younger Italian designer, reputedly for a salary of £1m a year.

The first Ferre collections sold more than their predecessors. Dior's profitability has also improved, according to Ms Bongibault, although it is still too soon to assess the success of the new regime.

The influence of the new investors is already apparent. Their tough approach and sophisticated marketing strategies have made the industry much more competitive.

A large group like Agache, LVMH or Dunhill can afford expensive advertising campaigns or to pour money into a new venture – like Christian Lacroix – until it becomes profitable. The investment in Lacroix and the £20m or £30m it costs to advertise a new perfume are well beyond the means of the tiny family firms.

Similarly the system for distributing luxury goods to department stores and duty free shops is now so complex and competitive that only a big business can cope. The family firms do not have the resources to strike lucrative licensing and distribution deals.

The large groups can also afford to draft in new designers – like Gianfranco Ferre – at high salaries to attract more publicity, and more business, to their fashion houses. Lanvin's fortunes were floundering until the Midland Bank arrived as an investor with new capital. It has since hired Claude Montana as its new designer. His first designs will be unveiled at the *haute couture* collections in Paris this weekend.

These changes have raised the cost of entry to the industry. It would be very difficult for a new watchmaker to challenge Rolex and Cartier, or for a new luggage company to pose a serious challenge to Louis Vuitton. Similarly the cost of opening a new *couture* house is so high that the young designers of the 1990s are less likely to start their own businesses than to work as freelances for one of the luxury goods groups.

All the luxury companies – large and small – are operating in an increasingly complex environment. In the 1980s the industry enjoyed easy growth in relatively immature markets, like Japan. Those markets are now maturing. The sales of some of the best known brand names are now so high that they are in danger of losing the exclusivity which is at the heart of their appeal.

One of the main problems facing the companies is that, to gain growth in the future they will have to strike a delicate balance between boosting sales, without jeopardising their exclusivity as Tiffany did when it lost direction in the early 1980s.

Another problem is the worry that the era of conspicuous consumption is over and consumers will be less inclined to spend money on luxury goods. The economic environment of the 1980s could scarcely have been better for the industry. Consumers not only had more money to spend, but were less inhibited about showing off their wealth.

This mood of ostentatious affluence may be waning. The London advertising agencies are producing reams of research on the "altruistic" consumers of the 1990s, who are more concerned about the environment than wrapping Rolex watches around their wrists or dangling Chanel bags from their arms.

Even the fashion press is obsessed with a move away from the rigid stereotypes of the 1980s – the matte-black "designer" look with its power-packed shoulder pads – towards looser, sportier styles for the "New Age" of the 1990s.

It is difficult to assess how significant this swing in sentiment could be. One important factor is that the young, professional women who emerged as enthusiastic luxury consumers in the 1980s are now entering their 30s and having children. This means they may not only have less money to splurge on Chanel suits, but that they may care more about family issues and less about buying a bottle of C'est La Vie.

Mr Peter York, who analyses consumer trends as a style writer and as a director of the SRU Group of management consultancies, believes consumer attitudes are changing, but less dramatically than the ad agencies and fashion editors suggest.

"The 'flaunt it' attitude of the 1980s is fading," he said. "People will still want luxury goodies, but they will be less likely to want gold initials stamped all over them. The statements will be subtler. People may not buy a Vuitton bag or a Dunhill lighter as a status symbol, but they will still buy it for quality."

The successful luxury companies of the 1990s will, or so Mr York believes, be those that adapt their products to meet more diverse consumer demands and emphasise traditional values like the quality of workmanship.

Louis Vuitton is already doing so. Three years ago it introduced the new *cuir épi* collection as an alternative to the classic monogrammed luggage it has made since the 1890s. *Cuir épi* is intended to be the first of a series of new collections all emblazoned with very subtle sets of initials.

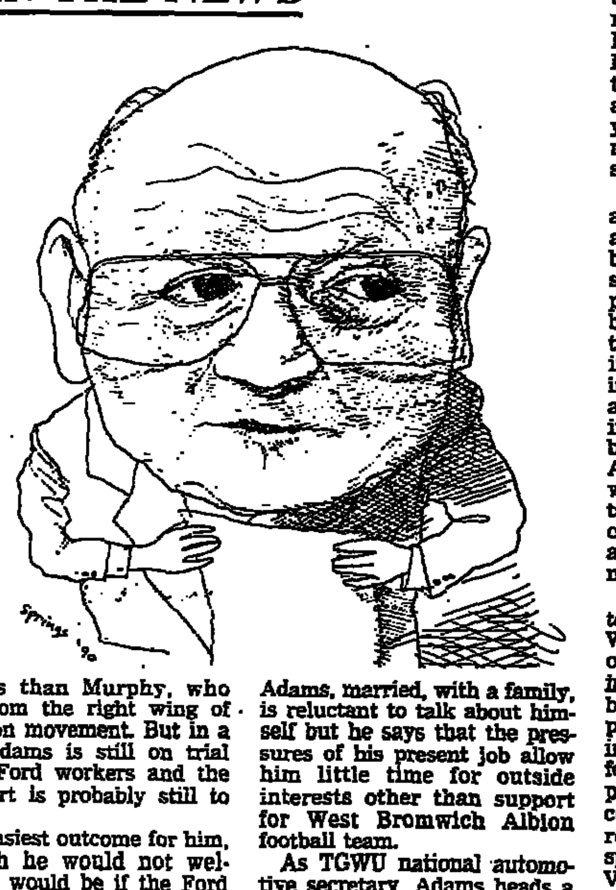
Whether the consumers of the 1990s will "flaunt it" or not, the industry is here to stay. The stakes are now so high that the advertising campaigns, the distribution deals, the acquisitions and even the lavish launches like C'est La Vie and its night at the Opéra Comique seem set to run and run.

MAN IN THE NEWS

Jack Adams

Straight talker who has respect at Ford

By Michael Smith



IT WAS the sacking of Derek "Red Robbo" Robinson, the notorious Leyland shop stewards' convener, that gave Jack Adams his chance.

When Robinson lost his job in 1979 for what Leyland described as "gross misconduct," Adams was elected to succeed him as Longbridge convener. From there he worked his way up to be national automotive secretary of the Transport and General Workers' Union (TGWU), one of the most powerful union jobs, below general secretary level, in Britain.

In that position he is on the brink of leading a strike at Ford Motor Company which, looks as though it may become the first indefinite stoppage at a big UK company in this decade and a dispute that inevitably revives memories of the industrial disruption of the late 1970s.

But just as Robinson represented, for some, the union extremism of that period, Adams epitomises a more presentable – and probably, in the public eye, a more representative – breed of trade unionist, leading workers in the early 1990s.

Like Jimmy Knapp, leader of the NUR railway workers, and Roger Poole, the ambulance unions' leader – both of whom have won plaudits for their communications expertise in recent and current industrial action campaigns – Adams can make out a powerful case for the people he represents.

He is not charismatic and he does not court publicity. "We do not need to chase the media," he said. "We have put our case to Ford and we think it stands up well." But when he is required to go under the public spotlight he handles himself well. In his soft-spoken west Midlands accent, he delivers his messages slowly and avoids the strident, hectoring approach that in the past has cost other trade union leaders public support.

More importantly, he is seen as being traight-dealing and honest, an approach which has enabled him in his first year as lead union negotiator at Ford to win the respect of the company as well as to maintain the support of virtually all the 31,800 people he represents.

After Wednesday's talks, at which he and 50 or so fellow-union negotiators rejected an offer which would lead to rises of at least 10.2 per cent in the first year of a two-year deal, one Ford manager said there was no animosity towards Adams. "We are forming a considerable respect for him. He is a direct man to deal with and in presenting the claim he has adopted a methodical and painstaking approach."

Outside the negotiations, the general view among several hundred protesting Ford workers was that Adams was a trustworthy successor to the late Mick Murphy, who earned considerable opprobrium two years ago for recommending a three-year deal that was subsequently rejected.

Adams is helped by his political credentials. As a communist he is more acceptable to activists than Murphy, who came from the right wing of the union movement. But in a sense Adams is still on trial among Ford workers and the hard part is probably still to come.

The easiest outcome for him, although he would not welcome it, would be if the Ford workforce rejected a strike in the ballots next Tuesday. But if the indefinite strike, pencilled in to start next Friday, goes ahead, he will at some stage need all his considerable experience as a negotiator to emerge with a settlement that appears to justify the stoppage.

Adams, now 56, began his rise in the trade union movement in the first week of his first job as trainee bench trimmer for an aircraft seating manufacturer. "I joined the union on my first day and I was at my first branch meeting the following Friday," he said.

Since then he says he has held every position in the union, both at plant level and on regional committees.

Adams, married, with a family, is reluctant to talk about himself but he says that the pressures of his present job allow him little time for outside interests other than support for West Bromwich Albion football team.

As TGWU national automotive secretary, Adams heads a group which represents 100,000 members – up 10,000 in the last two year in spite of a decline in jobs in the industry – and he leads pay negotiations (usually in conjunction with other union leaders) with all the car manufacturers in Britain other than Vauxhall.

The Vauxhall negotiations are handled by local union officials but Adams led the discussions last year which introduced significant changes in working practices at the company's Ellesmere Port plant and increased the chances of General Motors siting a £200m European facility there.

At one stage an inter-union row over spheres of influence had threatened any agreement. Adams helped to resolve the conflict which looked like a repeat of 1988, when Ford pulled out of building a plant in Dundee. He and fellow-negotiators then fended off Vauxhall's attempts to negotiate a three-year pay deal and reduce significantly the number of shop stewards.

Adams says the Ford negotiations are the most difficult of all the talks he heads, partly because they are seen as trend-setting and so take place in the public spotlight, but also because, unlike some others, the company insists on including working practice changes in the pay negotiations. "We are not against efficient working practices but they have to be negotiated thoroughly," Adams said. "The problem with including them in pay talks is that they are presented on a take-it-or-leave-it basis and that precludes considered negotiations."

Among Ford workers protesting outside the talks last Wednesday, hostility to the offer centred as much on working practices as the level of the basic offer. Although the company is offering financial inducements, skilled workers feel they will lose out in shift payments and line workers are concerned that the changes required of them are not spelled out in specific detail. Virtually all feel the allowances will be divisive because not everyone will receive them.

Going on strike is fraught with the danger of defeat. If, however, the unions could win a settlement which tackled the working practices issues and lifted the basic offer, the TGWU would win back some of the face it lost through its defeat in the dock strike last summer and Adams's stock would ride high.

Adams says he has no ambitions to move up the union hierarchy from his present post. "I like my present job, I feel comfortable in it." Such statements from union leaders should normally not necessarily be believed. In Adams's case it is taken as genuine.

Richard Evans provides the answers to queries about the uniform business rate

First cousin to the poll tax

The significance of the complete restructuring of local government finance in England and Wales has been widely appreciated, particularly the imminent introduction of the community charge in place of domestic rates, but the effects of the other big change, the uniform business rate, have been less well understood.

Initial reactions to the proposals when their full impact became known earlier this month have been overwhelmingly hostile. Small business organisations have talked emotionally of 40,000 bankruptcies and 200,000 jobs at stake, and there have been squeals of protest from retailers facing what appear to be horrendous rate increases.

The confusion and lack of understanding of the uniform business rate (UBR) are almost entirely the Government's fault. The change has been in the pipeline for as long as the community charge, or poll tax, but it has received much less publicity. Debate on the legislation was cut short in the Commons and details have since been allowed to trickle out in obscure Parliamentary written answers.

The UBR, combined with the first revaluation of commercial property in England and Wales since 1973, represents the biggest restructuring of property taxation for decades, and it will affect every business. Here are answers to some important questions.

What exactly is the uniform business rate and why is it being introduced?

The UBR, sometimes known as the national non-domestic rate (NNDR), is part of the restructuring of local government finance, pushed through by Mrs Thatcher ostensibly to make councils more accountable to electors and to prevent Labour-led councils from "milking" business ratepayers.

At present each local authority can determine its own business, or non-domestic, rate. Local businessmen have *no influence over the amounts they* pay, and rates can rise steeply and with little warning – there were rises of over 57 per cent in the London borough of Ealing in 1987-88 and over 55 per cent in Haringey this year, for example.

The UBR, which will operate from April 1 in England and Wales – Scotland should come into line within a few years – is fixed at a set rate throughout the country, centrally pooled, and re-distributed to local authorities on a per capita basis.

Where does revaluation come in?

In order to have a proper basis for levying the new property tax, all commercial properties have had to be revalued. As this was last done 17 years ago, rental values have become hopelessly out of date. Details of the revaluation of each of the 1.6m commercial properties are available for inspection at local council and valuation offices.

How do I estimate my rates?

To check the rates to be paid in 1990-91, take the new rateable value and multiply by the rates poundage (also known as the multiplier). This has been set at 34.8p in the £ in England and 36.8p in Wales.

Will business pay more rates overall?

No. The Government has pledged that commercial ratepayers will pay no more in aggregate under the new system than under the old. In 1989-90, under non-domestic rates, industry paid £10.5bn and the same amount will be collected next year, after allowing for 7.5 per cent inflation. It is the way the bill is *shared out that is about to* undergo radical change. Some businesses will lose heavily, others gain.

Why is this?

It is largely because of revaluation rather than the UBR. Since the last revaluation there has been a radical shift in property values, between north and south, manufacturing and service industries, inner city and outer suburb, *and between rundown conurbations* and thriving market towns. All this is reflected in the complex revaluations, which are based on notional retail rents in April 1988. There has been an overall increase in values of eight times.

Who loses and who gains?

Broadly, change depends on two factors. First, whether the rateable value *of a property increases by more or less* than the average for all properties, and second, whether the local authority where the property is situated currently levies a rate poundage that is higher or lower than the national average. At present poundage varies between Kensington and Chelsea's 122p and Sheffield's 400p.

In practice, this means big differences *between regions and types of property.* Rates for factories and warehouses will be lower in nearly all regions and there are substantially lower rates for shops and offices in parts of the north and Midlands. These are offset by big increases for most shops and offices in East Anglia and the south east. Hardest hit are retailers in London's West End and in prosperous shopping centres.

Will big increases have to be paid immediately?

No. Because of the wide fluctuations, the Government has proposed a transition period of five years to dilute the impact of the worst increases. These substantial transitional arrangements have been largely ignored in the initial outcry against UBR because they have been so poorly explained.

Rate increases will be restricted annually to 20 per cent plus inflation for properties with a rateable value of more than £15,000 in London and *£10,000 elsewhere.* For properties with a lower rateable value, the majority, increases will be limited to 15 per cent plus inflation.

This means that shock rate increases like that for Harrods, the Knightsbridge department store, which goes up from £1m to £8.3m, must be treated with caution. In truth, the amount Harrods pays will not go above £3m in the next five years unless inflation surges higher.

Further revaluations are promised every five years but it is unclear what will happen to those premises that have still not reached their full rate level by the time the next revaluation comes in.

What about the gainers?

Because the Government has pledged that the same amount of business rates will be collected, the transitional period for losers has to be balanced by a matching transition period for gainers. After protests from beneficiaries who argued that as they had been overpaying rates for years, they should see the full benefits of the revaluation immediately, the Government has improved matters slightly.

Cuts in rates will be held in the next financial year to 10.5 per cent after *inflation has been taken into account* for larger properties and to 15.5 per cent for smaller. In 1991-92 the limits will rise to 13 per cent and 18 per cent.

What will happen in the future?

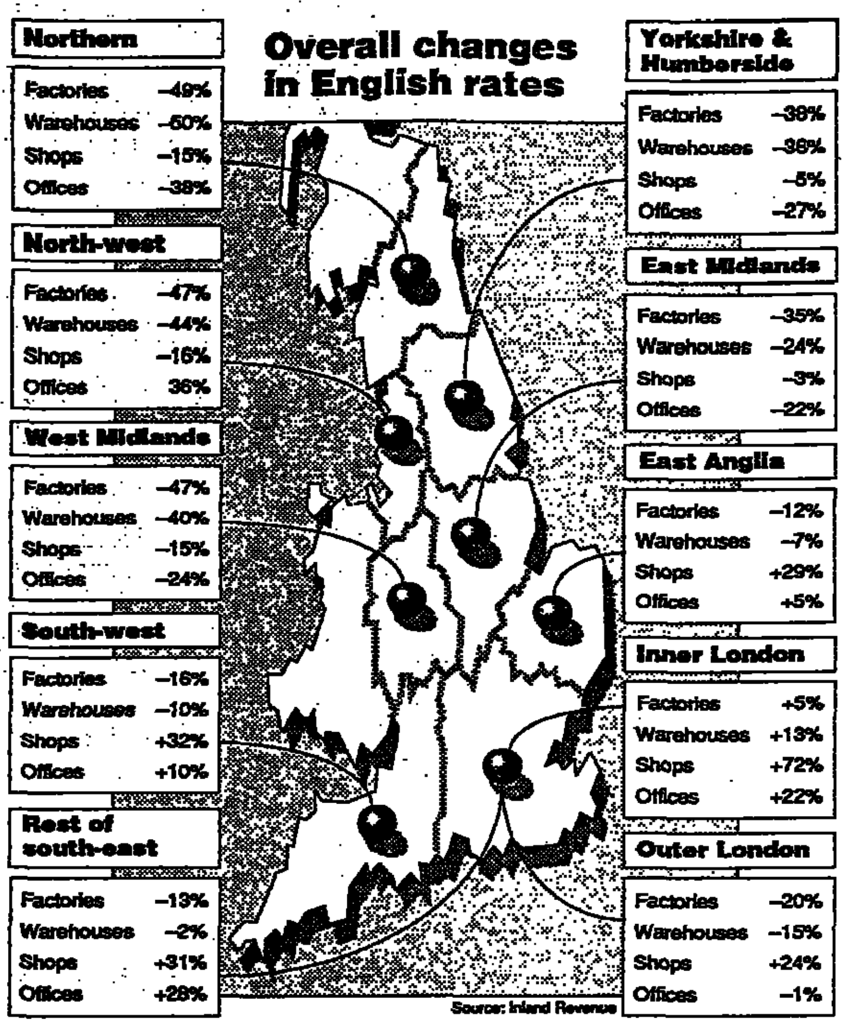
Apart from the promised revaluations every five years to maintain a proper basis for the tax, the Government has written into the legislation that business rates can only be increased by the rate of inflation or less.

What about new property or an imminent move of premises?

The crucial transition arrangements apply only to current occupiers. Anyone moving into a property after April 1 will receive no transitional relief at all and will have to pay the full revised rating assessment immediately.

What should I do if I disagree with *my assessment?*

There is an appeals procedure, but you should move fast. The Government has set a tight deadline for appeals of September 30, or six months after the valuations come into operation. Experienced advisers are telling clients who believe there might be a case for revision up or down to put in a preliminary application almost automatically to get *a place in what could be a very long* queue. The Inland Revenue expects one in two businesses to appeal against their valuations, but it could be a lot more and the system could clog up.



Local hero shocks, but does not surprise

Peter Riddell on the implications for black leaders of the arrest of Washington DC's mayor

The arrest of Mr Marion Barry, the Mayor of Washington DC, on charges of cocaine possession and use is on a par with one of the Conservative Cabinet in Britain being accused of insider trading on a privatisation issue.

The charge strikes at the heart of the battle which the mayor has been leading against violent street crime and the drug epidemic which have been tearing apart the city's black community. The immediate reaction among local black residents – who make up two-thirds of the city's 650,000 population – was anger and disappointment, with the threat of racial polarisation between blacks and whites on whether Mr Barry was set up.

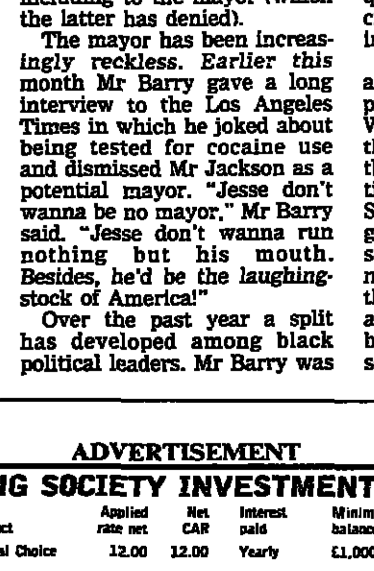
Just a day before he was arrested in a Federal Bureau of Investigation "sting" operation in a downtown hotel Mr Barry proclaimed that "the war on crime and violence is succeeding," even though there have been a record number of 33 murders in Washington so far this month. Mr Barry had planned to announce tomorrow that he would run in November's elections for a fourth four-year term as mayor.

Mr Barry's arrest is of more than local importance. As the chief executive of America's capital and its leading black politician for more than 11 years, he has been a national *symbol for blacks.*

The possible end of his career could change the political landscape for the 1992 presidential elections. Even before his arrest, there had been intense speculation that if Mr Barry did not run again, the Reverend Jesse Jackson, the twice-defeated presidential candidate, would make a bid. Mr Jackson has moved his official residence to Washington from Chicago and has been coy about his long-term plans. If Mr Jackson did become mayor, his first elected post, then he might not run for the Democratic nomination in 1992 – opening up his large, loyal base of black support and hence the presidential nomination.

If Mr Barry's arrest was a shock, it was not a surprise. For several years there have been rumours about drug-taking and womanising, which he has strongly denied. He has portrayed himself as victim of "character assassination" and racism by the white-dominated media. To many in the black community, Mr Barry has been a hero, a fighter for their causes and interests for 30 years. Especially in his first two terms, he had an impressive record in assisting the city's economic development.

Consequently, he has so far been given the benefit of the doubt by many supporters over a series of episodes in which former associates have been accused of corruption and involvement with drugs. The latest started in December 1988 when Mr Barry was in a hotel room with Mr Charles Lewis,



who has since pleaded guilty to charges of selling drugs, including to the mayor (which the latter has denied).

The mayor has been increasingly reckless. *Earlier this* month Mr Barry gave a long interview to the Los Angeles Times in which he joked about being tested for cocaine use and dismissed Mr Jackson as a potential mayor. "Jesse don't wanna be no mayor," Mr Barry said. "Jesse don't wanna run nothing but his mouth. Besides, he'd be the *laughing-*stock of America!"

Over the past year a split has developed among black political leaders. Mr Barry was due to be challenged in the Democratic primary in September by other black candidates, though until Thursday he was still the favourite. Yesterday, despite the eagerness of some Washington television stations to prejudge Mr Barry's guilt, his political rivals were predictably keeping quiet.

Black politicians are concerned about what such allegations are doing to their reputation generally. There are two contrasting trends. First, a number of longstanding black city leaders, such as Mayors Tom Bradley of Los Angeles and Coleman Young of Detroit, have run into political trouble, mainly for financial reasons, rather in the way established white city bosses did before them. Second, new black leaders have emerged who seem able to bridge the racial gap. These include new Virginia Governor Douglas Wilder (the grandson of a slave in the heart of the Confederacy) and Congressman Bill Gray, the Majority Whip in the House of Representatives.

The Barry affair has its deepest implications for Washington *itself at a time when the* black community has been looking to its leaders as role models in the battle against drug abuse and violent crime. The extent of the problem is startling to newcomers and outsiders accustomed to the elegance and calm of familiar downtown Washington or *Georgetown.* Washington's murder rate is the highest per head in the US. Half of all babies born in the main hospital in the black community are affected by their mothers' cocaine abuse. Some will die quickly; infant mortality in the city is four times the average in the western world.

The long period of charge and denial about Mr Barry's personal life has dominated Washington's political life over the past year and, along with the resignation of senior executives, weakened its leadership. So there is the scarcely disguised hope among mainstream black leaders, though *not necessarily their voters,* that Mr Barry will step down, allowing another prominent black (whether Mr Jackson or someone else) to start afresh.

LETTERS

Liberalisation may mean steep rise in air fares

From Mr A.J. Lucking.

Sir, Your editorial comment "Air cartels in Europe," January 16) focused attention on one aspect of the problem, whereby the beginners in Brussels are faced by the professionalism of the cartel participants with their experience going back to April 1 1924, or even earlier.

In the case of British Airways this experience is being exploited to freeze out UK competitors who, it said itself in February 1989, can earn the same profit with an £80 fare where it needs to charge £100. This is reflected in the steady five-year decline in the airline's European pre-interest operating margin, from 7 per cent, to 1 per cent in 1988-89.

Now, however, by respectively throttling and monopolising capacity at Heathrow, BAA plc and BA jointly can raise their profits sharply, some say by several hundreds of millions a year.

A key reason why major airline assets are earning nothing at present is the unhealthy way European "competition" has developed, with many seats bulk sold at unprofitable, non-public fares to tour operators etc. The Civil Aviation Authority first highlighted this in a 1977 report; an update is needed to underline the danger.

A recent Dutch report showed that 30 per cent of all European passengers from the Netherlands used such tickets.

To try to solve the problem British Airways makes repeated applications to increase the on-demand business fares. The authority rejects many of the applications, because they are too high in relation even to BA's excessive costs. However, under the "double disapproval" regime recently agreed in Brussels, this CAA safeguard will disappear.

Because all the continental airlines and governments are desperate to raise UK fares to their levels, which are 20 per cent to 25 per cent higher on current exchange rates, we must expect big European fare increases as soon as "liberalisation" takes place – unless double disapproval is ditched.

A.J. Lucking,
Flat 20,
17 Broad Court, WC2

Access of anger

From Mr C. Greaves.

Sir, John Edwards ("To cut or not to cut," Weekend FT January 13) makes no mention of the fact that the banks receive payment from the shops which accept their cards. The banks are greedy and I will cut up *my* Access card because I object to paying £12.

C. Greaves,
147 Old Clough Lane,
Worsley, Salford,
Greater Manchester

From Mr J.H. Collier-Wright.

Sir, I shall retain my card. Two useful facilities are for purchases or bookings by telephone such as theatre tickets, travel reservations and for charity donations and payment for goods and facilities abroad.

J.H. Collier-Wright,
St Mary's Cottage,
62 Marygate,
York

A new mainstream exam

From Mr Richard Wort.

Sir, Your editorial comment ("The education decade," January 15) stresses the need for educational expansion in the 16-19 age group.

The present situation for this group is in some ways similar to that which existed in the 1950s for the 11-16 age group. The GCE Ordinary Level was too difficult for many pupils and so the CSE was introduced for pupils of average ability.

A mainstream examination is now needed for the 16-19 range. It should be designed for 70 per cent of the age group in the middle ability range. Candidates should be able to choose five main subjects.

The need for technical and vocational subjects should be emphasised. It would be best to start with a new exam. The GCE Advanced Level is designed for the ablest 15 per cent of the age group and is not related to the needs of pupils with average ability.

In France new baccalauréats are being introduced for the needs of pupils of average ability to ensure that they end up with good technical and vocational qualifications as well as having a balanced education.

A new mainstream examination for the 16-19 range should have similar aims. The new examination should be introduced as soon as possible.

More than 80 per cent of this age group should receive full-time education or training. They can then play a full part in a world in which there is a rapid growth of new ideas.

Richard Wort,
Knole Cottage,
69 Murray Road,
Wimbledon, SW19

Helping the EV

From Mr Geoffrey Myddelton.

Sir, Internal combustion is the cheapest form of energy for road transport and until it is prohibited or severely restricted, even the hybrid version of the electric vehicle (EV) suggested by Mr B.N. Parsons (Letters, January 11) has little chance of commercial success.

If the Government were to institute an independent inquiry into the connection between diesel exhaust fumes and lung cancer, as I have been suggesting for nearly 30 years, the result would be the eventual prohibition of the road diesel and probably the banning of petrol engines in cities. This would give the EV its chance and would also enable people to breathe with safety.

Geoffrey Myddelton,
Blue Moon,
1867 Glutières-sur-Ollon,
Vaud, Switzerland

Pension funds and early leavers

From Mr Alan Smallbone.

Sir, How right Barry Riley ("A paradox in pensions," January 11) is that the Occupational Pensions Board has threatened pensioners with insecurity.

But whether companies should be offered an escape clause to cut pensions in conditions of poor economic performance is less certain, not least because all "final" pay schemes already provide them with a ready-made regulator – the imposition of early retirement on staff a decade short of normal retiring age – which it is virtually impossible to control.

This is because such schemes impose an ever-rising true funding rate; the older, better-paid and later-promoted the individuals, the steeper the curve, and few finance directors have survived without perceiving the solution.

So when Mr Banham (Letters, December 5) suggests that real improvements in performance are the only justification for increases, that should be seen as a warning.

Firms which have been content in such increasing numbers to augment the benefits of rising dividends by the creation of early leavers to boost surpluses, are most unlikely to show diminished enthusiasm for such a remedy if the going should get tougher.

Alan Smallbone
Lloyd's of London,
1 Lime Street, EC3

The Inland Revenue and taxation of life assurance investments in unit trusts

From Mr Peter G. Wilson.

Sir, Clarification is surely overdue of what is proposed in the Inland Revenue's press release of December 20 last year on taxation of life assurance investments in unit trusts.

It appears that the Revenue is concerned that, by investing policy holders' funds in unit trusts, life companies defer the capital gains or losses which would arise if the same funds were invested directly in the stock market. The Revenue is not concerned if a private individual defers tax by investing in this way, nor is it concerned if the reserves of any other type of company such as ICI, any investment trust or even the non-life funds of an insurance company are invested in a unit trust.

If this is the case, the action of the Revenue would seem to constitute a particularly selective attack. The Revenue's action of requiring a deemed disposal every year is particularly savage when compared with the deemed disposal requirements for inheritance tax on discretionary trusts.

The proposals for an annual deemed disposal in respect of long-term funds seem to pose special dangers for the life fund. If these arrangements had been in place in the 1980s tax would quite likely have been paid in every year, but after the crash in October 1987 the value of the underlying funds would have been reduced to that of two or three years earlier and any policies maturing after the crash would have paid tax or gains which ultimately did not accrue to the policy. Hardly fair treatment.

How does the Revenue's action tie in with government policy? As I understand it the nation is suffering from too much consumer spending and too little saving. This has led to high interest rates aimed at cutting consumption and increasing saving. Unfortunately it also has the effect of increasing inflation. The Government also has a policy of wider share ownership hence the personal equity plan (PEP) vehicles and the privatisations, which have been a feature of recent years.

The effect of the Revenue's action will be to increase the tax paid by life companies, reducing the return on their policies which will thus become less attractive to savers. *The Government does not* need the revenue produced from such taxation and in recent years the abolition of life assurance premium relief and of multiple tax allowances when wage-earning house purchasers buy a property jointly have all acted as disincentives to saving.

One must assume that the effect of the Inland Revenue action will be to discourage life companies from investing in unit trusts. This begs the question of what will be the effect on the unit trust industry.

Some commentators estimate that approximately 50 per cent of the £55bn invested in authorised unit trusts is invested by life companies. If these investments are either withdrawn or wither away over a few years, there could be serious repercussions for management companies and trustees already struggling with the reduced profitability brought about by a lack of investor confidence after the 1987 crash and the increased costs associated with complying with the effects of the Financial Services Act.

Peter G. Wilson,
1 The South Glade,
Bexley, Kent

UK COMPANY NEWS

Buyer sought for Hoskyns Group

By Alan Cane

HOSKYNS GROUP, a leading British computing services company in which Plessey has a 74 per cent shareholding, is up for sale – with a likely price tag well in excess of £300m.

GEC/Siemens, Plessey's new owners, have decided to sell their stake in the group as part of plans to rationalise the acquisition of Plessey.

They said yesterday that they believed Hoskyns, which has prospered greatly under Plessey's stewardship, would realise its full potential better as part of a group with a strategic focus on the computing services industry.

The market indicated that it expected a premium selling price, marking Hoskyns' shares up by 55p to 328p.

Hoskyns is one of the UK's most consistently successful services companies. Last year it posted revenues of £189m, up 72 per cent on the previous year with profits before tax of £15.2m, an increase of 60 per cent over 1988.

The company has now shown 10 years of steadily increasing profits and its earnings per share have grown by an annual average of 34 per cent.

Mr Geoffrey Unwin, executive chairman of Hoskyns, said yesterday that GEC/Siemens decision had been unexpected but that he had agreed to the sale on six conditions.

First, there had to be a strong business rationale in the takeover. Second, the group had to maintain its autonomy. Third, it had to maintain its market listing ["Hoskyns has benefited greatly from its status as a listed company", he said, "and I would want this to continue"]. Fourth, it would have to satisfy the aspirations of the staff. Fifth, the price would have to be right and sixth, the sale would have to be a stable shareholder which took a long term view of the future of the company.

Computing services companies can provide parent companies with valuable information technology services, but they are notoriously difficult to manage. Their only assets, by and large, are their highly skilled staff who can leave for well paid jobs with other computer services companies if they are dissatisfied with their conditions.

Hoskyns success is founded on its skills in manufacturing systems and in the facilities management of customer's computer systems where it claims to have 60-70 per cent of the UK market.

The sale is expected to attract a premium selling price for two reasons. First, there is a strong precedent in the US telecommunications AT&T's purchase last year of Istel for £180m, about twice historic revenues. Second, companies of the calibre of Hoskyns come up for sale very rarely; with information technology companies looking to achieve critical mass through acquisition, the Hoskyns sale is expected to generate broad interest.

Prospective buyers are likely to include computing services companies from the UK like Thorn EMI, France like CAP-Gemini-Sogeti and the US like Electronic Data Systems.

Mr Unwin said yesterday that no single suitor had yet emerged although he would prefer a company whose interests were tangential to information technology like AT&T rather than a competitor: "We are going to have a good look at all the girls on the dance floor this time", he said.

See Lex

Highlights of Hoskyns' history

- 1964 Company founded as John Hoskyns and Company by Sir John Hoskyns, currently director general of the Institute of Directors.
- 1967 Survey of the use of computers in manufacturing industry for the National Research Development Council results in the development of Hoskyns' major software system, MAS.
- 1972 The company pioneers in the UK the concept of Facilities Management, where it takes responsibility for all or part of a customer's computing operations.
- 1975 Hoskyns acquired by Martin Marietta of the US. John Hoskyns leaves to pursue a career in politics.
- 1986 Full listing on the London Stock Exchange with Martin Marietta as major shareholder.
- 1988 Acquired by Plessey in a deal valuing the company at £164m; it retains its stock market listing and management autonomy in the running of the business.
- 1989 Hoskyns makes key acquisitions in the UK and West Germany and becomes the largest supplier of computing services in the UK marketplace.
- 1990 Following the acquisition of Plessey by GEC/Siemens, Hoskyns is put up for sale by its new owners.

Dock action behind fall in Rechem share price

By Vanessa Houlder

SHARES IN Rechem Environmental Services yesterday plunged from 653p to 508p when the toxic waste disposal group warned that second-half profits in the year to March 31 would be lower than those for the same period a year ago.

Part of its problem was rooted in dockers' refusal last summer to handle Canadian shipments of polychlorinated biphenyls that were destined for the company's incinerator at Pontypool, Wales. Although Rechem succeeded in replacing the lost business at the time, it contributed to problems in November and December when several scheduled loads were delayed.

And the controversy over the shipments diverted management time, said Mr Paul Kaye, finance director. He declined to say whether scheduling problems were continuing.

Rechem has also had problems with the commissioning of its electric hearth incinerator, which was installed last summer and has since run into a series of minor mechanical and electrical problems. The incinerator is expected to start full operation in February.

Rechem said it remained confident that the results for the year to March 1990 would show an increase over those last year. Furthermore, it considered that prospects for the next financial year were good and no repercussions were foreseen for 1990/91.

The fall in the share price reflected both a de-rating of the shares which have performed strongly, as a result of increasing emphasis on environmental issues, and Rechem's leading position in the incineration market and a reduction in analysts' forecasts.

Schroders yesterday cut its forecast for the year to March 1990 from £10.6m to £9.5m and its 1991 forecast from £12.9m to £12m.

See Lex

David Smith maintains profits despite high development costs

By Maggie Urry

DAVID S SMITH, the largest papermaker in the UK, reported maintained profits in its half-year to October 28, despite the continuing impact of costs of developing the Kemsley mill, in Kent, acquired early in 1988. The shares slipped by 1p to 332p yesterday.

Pre-tax profits were £15.8m (£15.71m) on sales 9 per cent higher at £181.4m. Operating profits also rose by 9 per cent to £18.64m.

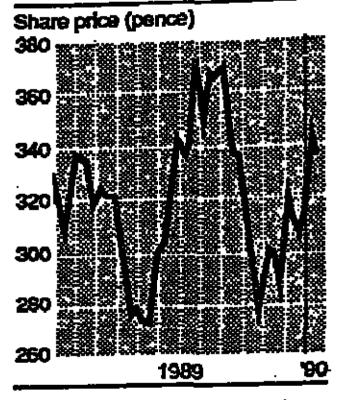
Mr Richard Brewster, chief executive, said he was pleased with the first-half figures, but warned that trading conditions in the second half were likely to worsen further.

He said the costs of the Kemsley development had cut profits by £3.6m (£800,000), of which £3.08m was interest charges and £600,000 operating losses. The net interest charge doubled from £1.4m to £2.8m.

During the half year one of the three large machines at Kemsley had been shut for a rebuild, but there would be less downtime in the second half, and the Kemsley costs might be lower, Mr Brewster thought. He said a number of paper companies had shown an interest in the mill and its strategic potential in the European market. The group could raise some capital by taking a partner into the mill, he said.

David Smith

Share price (pence)



The group's paper business, largely making materials for corrugated boxes, was seeing flatter demand than last year, Mr Brewster said, but prices were holding up.

On the packaging side, the 50 per cent increase in capacity at the Abbey Corrugated sheet feeder plant had come fully on stream just as the market began to weaken last year. Competition in this area was putting pressure on margins, Mr Brewster said.

However, Mr Brewster said that the policy of expanding into higher added-value packaging, such as rigid plastics, was paying off, with profits higher than the group expected. Bag-in-box packaging had had a good summer in 1989 because of the warm weather.

The first-half figures benefited by £800,000 from the change to the new accounting standard on pension funds, which had been applied in the previous year but not at the half-way stage.

Earnings per share rose by 4 per cent to 16p, thanks to a slightly lower tax rate, and the interim dividend is unchanged at 2.75p.

● COMMENT

David S Smith has done better than many in the sector as trading conditions have worsened, even with a high level of development at the Kemsley mill. This promises to be a money-spinner in the long term, but work will not be completed until towards the end of the next financial year. It may prove sensible to raise some cash by selling an interest in Kemsley, and reinvesting it in the specialist packaging sector, perhaps with European expansion in mind. While profits look set to fall in the full year, perhaps to £29m against last year's £33m, the shares should be supported by ideas of the company's worth to a predator, particularly after the takeover of UK Paper, agreed late last year.

Reshuffle at Holmes as sale plans dropped

By Andrew Hill

Holmes Protection Group, the New York security group, has dropped its search for a buyer, and the chairman and vice-chairman, who set the sale process in motion, have stepped down.

Mr Ernest Potter, ex-finance director of Cable & Wireless, is to take over as chairman from Mr Brian O'Connor.

The moves were welcomed by Holmes's largest shareholder, Wormald International, an Australian fire protection company which owns a 14.6 per cent stake.

Wormald has been trying to give Holmes "a new direction" since it announced a slump in 1988 profits.

Holmes said yesterday that after re-organisation costs and other liabilities the group would probably sustain a loss for 1989.

Mr O'Connor and his vice chairman, Mr Tom Forrest, will remain directors of Holmes. They have agreed to defer substantial payments, which were due to them under their contracts if they left their positions.

Wormald originally wanted to elect five directors to the board, against Holmes's will.

That proposal was dropped in October when Wormald and Holmes appeared to have come to an agreement and Mr Eric Kohn, a director of Barons Financial Services (UK), Wormald's adviser, was appointed to the board.

Holmes's principal business is a central security alarm monitoring station in Manhattan, but its shares are listed in London.

Dominion rescue hopes dashed

By David Owen

MR CARL OPENSHAW's hopes of piecing together a rescue package for Dominion International were dashed yesterday with the announcement that administrators are to be appointed to the beleaguered financial services and property group and certain of its subsidiaries.

The group has been in crisis since August when Mr Max Lewinsohn, founder and most recently deputy chairman, resigned from the board against a background of shareholder dissent.

The group's shares were subsequently suspended and payment of its final dividend halted because it had no distributable reserves.

Mr Openshaw, managing director, has been trying since September to navigate a path to survival either by selling part or all of the company, or through a refinancing package with the co-operation of bankers.

In particular, the group had been working for some time on a possible deal involving Tiphook, the container rental company.

Mr Openshaw said yesterday: "We had hoped that that would be part of the solution; a deal may still be finalised with Tiphook".

Dominion has not asked the Serious Fraud Office to investigate its affairs, he added. "My efforts have been to try to solve the group's financial position".

Mr Lewinsohn expressed deep sadness at yesterday's decision and criticised the "apparent abandonment" of plans unveiled last July to sell FFL Holdings, the film insurance company, and replace it with York Associates, a New York mortgage group.

However, a group of substantial shareholders including Mr Roy Richardson expressed horror at the announcement. "We pointed out ... more than a year ago that Dominion was being seriously mismanaged and urged the dismissal of Mr Lewinsohn and other senior management", the group said. "We are now considering taking legal action".

It is anticipated that the administrators will allow profitable units, including Film Finance and Transnational Leasing, to continue trading.

York Trust's £27m ICH bid

By Nikki Tait

YORK TRUST, the USM-quoted financial services company, last night finally unveiled a £26.5m all-paper offer for International City Holdings, the money and foreign exchange broker. Talks have been underway since last year.

However, it also emerged that, in the wake of the High Court ruling which declared that certain transactions in the local authority swap market had been "ultra vires", ICH has slumped back into losses.

The company said that after traded profitably in the three months to October, its subsequent losses have "substantially eroded" this earlier surplus. It also said that there had a sizable staff departures since the High Court decision, which is currently being appealed. ICH's Fulton Prebond subsidiary was a significant player in the local authority swap market.

As a result, the Takeover Panel has exempted York from the need to attach a cash alternative to its paper offer. York snapped up a 29.9 per cent stake in ICH last November and, in normal circumstances, should have provided a cash option of at least 60p a share - the price it paid for the bulk of its stake.

However, given the trading situation, the fact that this meant York could not raise the debt facilities to provide cash, the Panel has granted a waiver. Instead, shareholders are offered one York share for each ICH share and one York preference share for each ICH preferred share.

York will also raise £20m by placing 50m new shares with its 29.9 per cent shareholder, the US-based Babcock & Brown Inc. at 40p a share - subject to clawback by existing shareholders. BBI will, therefore, have between 29.9 and 39.2 per cent of the merged group.

Somewhat relieved advisers to Domeaction said last night that their client now has absolutely no intention of getting involved.

Dale Electric profits slide 40% to £710,000

DALE ELECTRIC International, the Yorkshire-based generating sets and power systems manufacturer, saw pre-tax profits slide 40 per cent for the six months to October 29.

Mr Tom McDonald, chairman, blamed the fall on high interest charges and a squeeze on margins in some overseas markets. The results pushed Dale shares 12p lower to 90p.

The pre-tax figure was £710,000 compared to £1.2m for the comparable period in 1988. Turnover rose by 24 per cent to £29.9m (£24.2m) while trading profits were static at £1.6m. Earnings per share declined to 3.66p (6.04p).

Dale's interest charges for the first half-year rose from £497,000 to £984,000. Mr McDonald said that the company was considering proposals for reorganisation in order to reduce gearing. The planned rationalisation of Dale's French operations is complete.

Mr McDonald said that although orders were "satisfactory" he did not expect group profits for the full-year to match the 1988-9 figure of £2.4m.

The company announced an interim dividend of 2p, unchanged on last year.

Avon Rubber shares drop

Shares in Avon Rubber, the industrial polymers, tyres and inflatables concern, fell 23p to 485p yesterday. This was after the company announced that Trelleborg, the Swedish industrial group which this week emerged as its near-5 per cent shareholder, had stated it had "no present intention of making a bid for Avon."

Avon said the two companies, which had worked together for some years, had agreed to evaluate further opportunities that might exist for co-operation in the future.

Mr Tony Mitchard, chief executive, flew to Sweden, the day after Avon announced Trelleborg had bought 1m shares, to talk to the company about its intentions.

Serif Cowells

Serif Cowells, the USM-quoted acquisitive leisure, printing and publishing group, is expanding into the growing market for electronic learning games and books. For £2m it is acquiring the development, manufacturing and distribution rights to the Questron range of branded products.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Cook (DC) § ...int	nil	-	1.33	-	1.33
Dale Electric ...int	2	-	2	-	5.1
Gartmore Amer ...int	2.5☆	-	-	-	-
LPA Industries §...fin	1.7	Feb 21	1.6	3.2	3
Norfolk House § ...fin	3.375	Mar 8	2.625	4.5	3.375
Reject Shop § ...int	1.05	Feb 28	1.05	-	3.15
St Andrew Trust ...fin	4.09	Apr 12	3.25	6.25	5.05
Smith (David) ...int	2.75	Mar 16	2.75	-	8.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆For nine months.

Balmoral pledges to raise Norfolk dividend

By Andrew Hill

Balmoral International will increase Norfolk Capital Group's 1990 dividend by at least 55 per cent above the 1988 level, if successful in its attempt to take over the management of the hotel company.

In a letter to Norfolk shareholders this weekend, Balmoral again accuses Norfolk's chairman of misleading shareholders. The private Edinburgh group wants to manage the company on a five-year contract. Balmoral says there will be no conflict of interest between the activities of the two groups and Norfolk will lose neither its Stock Exchange listing nor its identity under Balmoral.

Separately, Norfolk announced yesterday that the £18m sale of the Sloane Club, announced earlier this month, had fallen through. Bankers for the prospective buyer, Thomas Peterson Associates, were unable to provide the finance by Thursday's completion date.

LPA Industries

LPA Industries, maker of industrial electrical accessories, lifted pre-tax profits by £60,000 to £871,000 in the year to September 30. Turnover was up 12 per cent at £7.45m (£6.64m). The final dividend is raised to 1.7p (1.6p) for a total of 3.2p (3p).

Norfolk House up 42% to £8.7m and launches £20.8m rights issue

By Clare Pearson

NORFOLK HOUSE, the USM-quoted developer, yesterday said it was proposing a four-for-nine rights issue to raise about £20.8m. At the same time, it announced a 42 per cent rise in full-year pre-tax profits to £8.68m.

The rights issue shares are priced at 190p apiece, against a close yesterday of 223p, down 15p.

The company, which develops and manages petrol stations and service areas, has made several acquisitions recently, culminating last month in the £11.5m purchase of Action 2000, which took it into the top three independent petrol retailers in the UK.

It said that the proceeds of the rights issue would be used for further expansion, to realise the potential of recent acquisitions, and improve the quality of its petrol stations and truck-stops.

Through the issue, Mr Thomas Harrison, chairman, is reducing his stake in the company from 59.8 per cent to 42.6 per cent. The combined holding of the board will amount to about 43.5 per cent.

Turnover was £92.69m (£50.51m) in the year to end-September. Roadside development contributed £6.4m (£4.3m) to pre-tax profits, and petrol retailing £2.2m (£1.6m). Sales promotion, a new division, made up the balance.

Other acquisitions made by Norfolk House in recent months have been Britannia Oil, which brought a clutch of petrol stations and cost £2.5m; Land Option, which owns options over sites without planning permission, and cost £4.5m, and Truckers, a roadside truck-stop operator.

Earnings per share were 23.6p (17.6p). The final dividend is set at 3.375p (2.625p), making 4.5p (3.375p) for the year.

DC Cook plummets to £0.4m

By John Thornhill

DC COOK Holdings, the USM-quoted motor and property group, returned another "disappointing" set of results as it continued to suffer from the effects of setting up new dealerships.

Pre-tax profits fell to £401,000 in the six months to October 31, compared with £4.21m in the comparable period.

Mr Derek Cook, chairman, did, however, say that the trading results reflected a significant improvement on the second half of last year, when Cook incurred a £3.7m loss.

The motor division, which was the main cause of the company's troubles after losing several dealerships, still incurred losses but Mr Cook said he expected it to return to profitability in the next financial year.

The costs of setting up new dealerships and the depressed nature of the car market continued to affect its performance and also had an adverse knock-on effect on the financial services division.

Cook's property interests, which consist of developing petrol stations and roadside developments, made a strong contribution to the group's trading performance. But after the end of the half, Mr Martin Rapley, managing director of property arm, left the company.

Mr Cook said the company's rationalisation programme was now well under way and had already resulted in a considerable reduction in borrowings and significant cost reductions.

Although the company would not achieve the levels of profitability it had experienced in previous years, the results for the half did give grounds for cautious optimism. The property division was expected to be the major contributor to the group's performance for the foreseeable future, he said.

Interest charges were substantially higher at £3.33m (£1.53m), although gearing was reduced following the disposal of Ironguild Finance, the in-house finance company. Further disposals are planned.

At the end of the last financial year, gearing stood at about 300 per cent. Mr Cook said he expected this to be reduced to 50 per cent by the end of the current year.

Earnings per share plummeted to 0.94p (9.08p) fully diluted. The interim dividend was passed (1.33p).

Top business loses fizz at wrong time

Andrew Hill on Wassall's shrewdly launched bid for Metal Closures

ONE ACCUSATION Metal Closures Group has not levelled at Wassall over the past seven weeks is that of bad timing.

Indeed, the print and packaging group admits grudgingly that the £50m hostile bid launched by Wassall last November was "cleverly timed" – hardly surprising given that two of the triumvirate which heads Wassall, an ambitious mini-conglomerate, learned the acquisition business at the feet of the master, Lord Hanson.

Wassall, claims MCG, has picked the moment when the group is about to reap the benefits of five years of heavy investment in the core bottle-top making business. "A clear strategy for the 1990s," is the MCG response to Wassall's accusations of management woolly-mindedness.

Trevor Humphries

The Wassall team – David Roper (left), Christopher Miller (middle), and Philip Turner

Unfortunately for MCG, the company has not exactly left the 1980s with flags flying. Wassall's bid has found MCG in the unhappy position of having to forecast a 59 per cent fall in earnings for 1989.

"Last year was an aberration," says Mr John Cassera, MCG's managing director. "Now that we've got the investment – good modern facilities – we have a fair degree of confidence that we're set fair for the 1990s."

In 1990 shareholders are promised "a significant improvement" over last time, but the downturn – blamed mostly on adverse exchange and interest rates – has given Wassall plenty of ammunition.

Consequently, MCG is fighting for its survival as an independent company this weekend. Wassall already controls 40 per cent of the equity and the bid closes on Wednesday.

Together with other miscellaneous operations MCG's closures business is likely to have accounted for 75 per cent of 1989 turnover; flexible packaging (for example, plastic bags for frozen food) should make up 10 to 12 per cent. Wassall has criticised the diversification into higher margin pre-press services, which grew out of the core business, but that division should add a further 15 per cent of 1989 sales.

The group is already a strong exporter of bottle-tops, where the emphasis is changing from metal to plastic and MCG now claims more than 30 per cent of the market for fizzy drink closures in Europe. At the same time, it has continued to add value to the traditional metal top.

Wassall and MCG are probably broadly in agreement on the inherent quality of the business. But, if MCG shareholders take the more valuable cash-and-shares offer, they will be left with a fair-sized stake

They should be asking who can manage MCG best – the experienced existing management or the young turks from Hanson?

Wassall's Hanson connection is strong – a factor which may not endear the predator to some of MCG's shareholders. hanson has been a Wassall shareholder from the outset of the new management's interest in the summer of 1988. It would own 10 per cent of the enlarged group, and has underwritten part of the cash alternative.

Wassall's chief executive is Mr Christopher Miller, a former associate director of Hanson. He says the title gives less clue to his importance at the conglomerate than the fact that his office was "next door to Lord Hanson's, with an interlinking door", and that he handled some of the day-to-day running of the group.

It is Mr Miller who has headed Wassall's transformation from moribund shoe retailer to mini-conglomerate, backed up by Mr Philip Turner, another ex-Hanson executive, and finance director Mr David Roper, a former corporate finance executive at Dillon Read.

Wassall has bought an office furniture and luggage business in quick succession and, to the obvious distaste of MCG's management, believes a purposeful management style makes up for lack of experience in the business bought.

"Our view is that you don't need to know anything about bottle-tops, but you do need to know about strategy," says Mr Miller. He and his executives believe in looking for companies with strong middle management which can be encouraged to exploit the true value of the business.

They are also keen to allay the fears of MCG shareholders and employees that Wassall will emulate Hanson by stripping the group of valuable assets.

Such reassurance may not help uncommitted MCG shareholders. In this bid, past evidence seems to provide little clue to what is to come: they are confronted this weekend with a choice of two unknown futures.

Latest salvo fired as takeover battle nears close

Metal Closures Group, the print and packaging company, yesterday fired its final shots in the fight against a hostile £50m bid from Wassall, the mini-conglomerate, which closes next Wednesday, writes Andrew Hill.

In its latest letter to shareholders, criticising Wassall's "derisory and inadequate offers", MCG said acceptance of the bid offered "little more than an opportunity to speculate on the uncertain performance of Wassall shares."

The cash-and-shares offer from Wassall, which has grown from a shell company to a mini-conglomerate within 18 months, is worth about 195p against MCG's closing price of 184p, up 1p yesterday.

MCG hit back at Wassall's claim earlier this week that the print and packaging group would wipe out shareholders' funds if it continued the same dividend policy, by pointing to the low yield on Wassall shares.

The company again asked Wassall to demonstrate the commercial logic for its bid.

MCG, which has had to forecast a downturn in 1989 earnings, said it had a sound strategy which had involved £37m of capital investment over the last three years.

"The group's prospects are good," it added.

The predator already accounts for about 40 per cent of MCG's equity, having won acceptance for its 160p-a-share cash alternative from Suter, Mr David Abell's industrial holding company which owns 29.9 per cent of MCG, before launching the bid.

Wassall has bought a further 10 per cent in the market.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: European Community ministers meet in Dublin to discuss Eastern Europe. Mrs Margaret Thatcher, Prime Minister, makes one-day visit to Paris for talks with President Mitterand. Emergency congress of the Yugoslav Communist Party.

TOMORROW: Heads of state of the five member states of the Arab Maghreb Union meet in Tunis (until January 23).

MONDAY: Index of output of the production industries (November). Financial Times holds conference on "Creating a Euro-workforce in the 90s" at Hotel Inter-Continental, London. Start of two-day meeting of the European Community agriculture council in Brussels. Mr Douglas Hurd, Foreign Secretary, visits East Germany (until January 24). Resumed hearing on B & Q DIY Sunday trading prosecution in Cwmbran.

TUESDAY: Building societies monthly figures (December). US budget statement. Hungarian parliament is expected to pass law on private enterprise. London ambulance shop stewards meet. Mr Peter Clowes and others on remand on Barlow Clowes affair charges.

WEDNESDAY: Index of production and construction for Wales (third quarter). Cyclical indicators for the UK economy (December). Construction new orders (November). Bricks and cement production and deliveries (fourth quarter provisional). US Beige Book on economic condition. Mrs Thatcher meets Conservative Euro MPs in London. Labour Party national executive and TUC general council hold meetings.

THURSDAY: Energy trends (November). US employment cost index (December) and figures for import and export prices (December). Local government white collar workers lodge pay claim. One-day general strike in Greece over claim for higher salaries. Mr Giulio Andreotti, Prime Minister of Italy, visits Madrid for annual Spanish-Italian summit.

FRIDAY: Engineering sales and orders at current and constant prices (November). Balance of payments current account and overseas trade figures (December). Quarterly house purchase finance statistics (fourth quarter). US GNP (fourth quarter) and durable goods (December). Mr Manuel Noriega, deposed Panamian president, appears in court to determine his release on bail while awaiting trial on drug charges. Mr Carlos Salinas, President of Mexico, begins European tour with a three-day stay in Portugal. Threatened Ford pay strike.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Comm. Bk N. East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	● United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp.	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Benchmark Bank PLC	15	● Hill Samuel	§15		
Brit. Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat. Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sureske 8.5%, Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Aug. 90 Vol	Aug. 90 Last	Stock
Gold C	$ 400	163	16	3	29	-	-	$ 409.60

		Jan. 90 Vol	Jan. 90 Last	Feb. 90 Vol	Feb. 90 Last	Mch. 90 Vol	Mch. 90 Last	
EOE Index C	Fl. 270	40	16	238	18	-	-	Fl. 285.07
EOE Index C	Fl. 275	84	11	157	14.50 a	-	-	Fl. 285.07
EOE Index C	Fl. 280	344	6	102	10	2	13	Fl. 285.07
EOE Index C	Fl. 285	1138	1	301	7	-	-	Fl. 285.07
EOE Index C	Fl. 290	33	0.10	1327	5	26	7.50	Fl. 285.07
EOE Index C	Fl. 295	-	-	260	3	-	-	Fl. 285.07
EOE Index C	Fl. 300	-	-	162	1.90 a	117	4	Fl. 285.07
EOE Index P	Fl. 275	-	-	221	3	22	4.50	Fl. 285.07
EOE Index P	Fl. 280	434	0.10	781	4.10	110	6	Fl. 285.07
EOE Index P	Fl. 285	945	0.10	865	5.90	12	8	Fl. 285.07
EOE Index P	Fl. 290	1603	4	499	8.50	26	9.50 b	Fl. 285.07
EOE Index P	Fl. 295	2180	9	86	11.20	70	12.50	Fl. 285.07
EOE Index P	Fl. 300	1370	14	34	14.50	34	16	Fl. 285.07
EOE Index P	Fl. 305	129	19	8	19	42	19.50	Fl. 285.07
EOE Index P	Fl. 310	566	24	136	23	42	24	Fl. 285.07
EOE Index P	Fl. 315	300	29	31	27.50	5	27.50	Fl. 285.07
EOE Index P	Fl. 320	357	34	-	-	-	-	Fl. 285.07
$/Fl C	Fl. 190	316	2.50	38	4.30 a	8	5.80 a	Fl. 192.50
$/Fl C	Fl. 195	108	0.05	86	1.90	128	3	Fl. 192.50

		Jan. 90 Vol	Jan. 90 Last	Apr. 90 Vol	Apr. 90 Last	Jul. 90 Vol	Jul. 90 Last	
ABN C	Fl. 40	-	-	119	1.70	37	2.50	Fl. 39.50
ABN P	Fl. 40	819	0.40 b	397	1.40	44	2.20	Fl. 39.50
Aegon C	Fl. 110	1129	0.90	21	6	1	7.50	Fl. 110.70
Aegon P	Fl. 110	166	0.10	16	3.70	10	5	Fl. 110.70
Ahold P	Fl. 125	354	0.70	12	4.50	-	-	Fl. 123.60
Akzo C	Fl. 130	1267	0.10	115	7	7	8	Fl. 129.70
Akzo P	Fl. 130	795	1	110	4.80	14	7.50	Fl. 129.70
Amev C	Fl. 60	31	0.10	161	2.60	64	3.60	Fl. 57.50
Amev P	Fl. 60	322	2.30	73	3.70	2	4.50	Fl. 57.50
Amro C	Fl. 80	-	-	265	2.60	21	3.20	Fl. 76.30
Amro P	Fl. 70	-	-	255	1.10	-	-	Fl. 76.30
BUHRMANN-T C	Fl. 65	-	-	259	1.80	-	-	Fl. 60
N.V. DSM C	Fl. 115	713	0.20	61	6.70	6	7	Fl. 115.20
N.V. DSM P	Fl. 110	-	-	476	3.80 b	5	5	Fl. 115.20
Elsevier C	Fl. 80	431	1.50 a	93	4.80 b	5	5	Fl. 80.80
Gist-Broc. C	Fl. 30	206	0.10	25	2.30	26	2.90	Fl. 29.80
Gist-Broc. P	Fl. 30	482	0.40	10	1.60	23	2.70	Fl. 29.80
Hoogovens C	Fl. 75	580	1.50	84	6.30	74	7	Fl. 76.10
Hoogovens P	Fl. 80	207	3.50 b	121	6	476	10 b	Fl. 76.10
KLM C	Fl. 45	1036	0.10	130	2.90	22	4.50	Fl. 44.50
KLM P	Fl. 45	864	0.60 b	220	2.50	144	3.40 b	Fl. 44.50
KNP C	Fl. 45	25	0.10	910	1.70 b	63	2.50	Fl. 41.90
KNP P	Fl. 40	109	0.10	1647	2.40	32	3	Fl. 41.90
NEDLLOYD C	Fl. 86	456	0.80	4	6.50	-	-	Fl. 87
NEDLLOYD P	Fl. 90	713	3 b	133	6.50	1	8.20 b	Fl. 87
NMB C	Fl. 50	259	0.10	67	2.10	2	2.60 a	Fl. 49.50
NMB P	Fl. 50	757	0.60	65	2.80	-	-	Fl. 49.50
Nat. Ned. C	Fl. 70	2585	0.50	792	4.20	187	5.80	Fl. 70.30
Nat. Ned. P	Fl. 70	1326	0.20	159	2.40 b	63	3.70	Fl. 70.30
Philips C	Fl. 40	2972	4 b	101	5.80	40	6.60	Fl. 44
Philips P	Fl. 45	3180	1.10	787	3.30	33	3.80 b	Fl. 44
Royal Dutch C	Fl. 140	4170	0.60	478	7	26	8 b	Fl. 140.60
Royal Dutch P	Fl. 140	2060	0.10	334	4.10	-	-	Fl. 140.60
Robeco P	Fl. 105	106	1.30	2	5.20	-	-	Fl. 103.30
Unilever C	Fl. 150	827	3	539	8.90	23	11	Fl. 153
Unilever P	Fl. 150	1619	0.10	192	3.70	14	6.50	Fl. 153
Van Ommeren C	Fl. 35	756	2.40	142	4	9	4.50	Fl. 37.50
Wessanen C	Fl. 65	239	0.10 a	37	4.20	43	5.50	Fl. 64.30

TOTAL VOLUME IN CONTRACTS : 106,383

A=Ask B=Bid C=Call P=Put

BANK RETURN

BANKING DEPARTMENT	Wednesday January 17, 1990		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	58,116,150	-	3,641,976
Bankers Deposits	1,545,376,634	-	33,611,974
Reserve and other Accounts	1,920,165,983	-	26,704,509
	3,538,211,767	-	63,958,459
ASSETS			
Government Securities	1,212,384,028	+	98,222,499
Advance and other Accounts	548,918,055	+	71,406,692
Premises Equipment & other Secs	1,768,246,661	-	232,852,272
Notes	8,363,274	-	779,974
Coin	299,749	+	44,596
	3,538,211,767	-	63,958,459
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,041,636,726	-	309,220,026
Notes in Banking Department	8,363,274	-	779,974
	15,050,000,000	-	310,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	10,516,185,768	-	1,585,653,208
Other Securities	4,522,799,132	+	1,275,653,208
	15,050,000,000	-	310,000,000

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Fri Jan 19 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Jan 18 Index No.	Wed Jan 17 Index No.	Tue Jan 16 Index No.	Year ago (approx) Index No.	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (203)	909.30	-0.1	12.50	4.69	9.76	0.39	909.98	924.64	914.92	844.98	1012.97 18/8 /89	775.54 3 /1 /89	1038.07 16/7 /87	50.71 13/12/74
2	Building Materials (27)	1116.91	-0.2	14.10	5.06	8.84	0.00	1118.83	1135.08	1125.07	1040.26	1287.14 19/5 /89	939.06 3 /1 /89	1381.08 16/7 /87	44.27 11/12/74
3	Contracting, Construction (36)	1536.30	+0.4	16.21	5.14	8.09	0.04	1530.45	1545.58	1539.82	1593.00	1801.66 14/3 /89	1306.13 27/10/89	1951.50 16/7 /87	71.48 2 /12/74
4	Electricals (10)	2606.80	+0.2	10.32	4.77	12.18	0.00	2602.30	2628.37	2605.62	2448.75	3040.80 8 /9 /89	2294.30 3 /1 /89	3040.80 8 /9 /89	84.71 25/6 /62
5	Electronics (30)	1954.32	+0.4	9.20	3.69	14.06	0.00	1945.65	1994.59	1957.76	1951.61	2308.22 19/5 /89	1776.44 3 /1 /89	2308.22 19/5 /89	1229.01 8 /10/85
6	Engineering-Aerospace (8)	458.30	-0.4	13.12	4.82	9.41	0.04	459.91	466.85	462.87	0.00	495.50 4 /1 /90	458.30 19/1 /90	495.50 4 /1 /90	458.30 19/1 /90
7	Engineering-General (45)	490.62	+0.4	11.41	4.77	10.58	0.15	488.54	493.03	488.69	0.00	502.82 4 /1 /90	486.00 29/12/89	502.82 4 /1 /90	486.00 29/12/89
8	Metals and Metal Forming (6)	465.39	-0.2	25.34	6.46	4.45	0.00	466.26	474.51	472.85	484.14	562.47 19/5 /89	439.27 27/10/89	596.67 9 /10/87	49.65 6 /1 /75
9	Motors (16)	383.51	----	13.83	5.50	8.48	0.00	383.34	389.38	382.27	276.85	403.90 4 /1 /90	258.24 3 /1 /89	411.42 13/10/87	19.91 6 /1 /75
10	Other Industrial Materials (25)	1658.93	-0.7	10.15	4.35	11.44	2.70	1671.31	1699.48	1683.64	1414.57	1881.53 18/8 /89	1311.63 3 /1 /89	1881.53 18/8 /89	277.55 15/1 /81
21	CONSUMER GROUP (179)	1298.33	+0.2	8.76	3.66	14.28	0.62	1296.00	1316.62	1302.38	1098.76	1417.92 4 /9 /89	1016.74 3 /1 /89	1417.92 4 /9 /89	61.41 13/12/74
22	Brewers and Distillers (22)	1538.09	+0.9	9.32	3.42	13.32	0.00	1524.09	1543.12	1523.39	1189.59	1583.71 5 /9 /89	1112.42 3 /1 /89	1583.71 5 /9 /89	69.47 13/12/74
25	Food Manufacturing (19)	1137.54	+0.6	9.55	3.88	13.01	1.48	1130.66	1144.35	1130.31	988.20	1220.42 4 /9 /89	926.04 3 /1 /89	1220.42 4 /9 /89	59.67 11/12/74
26	Food Retailing (16)	2297.28	+0.2	8.94	3.29	14.51	3.63	2292.59	2322.92	2278.59	1950.63	2722.30 5 /9 /89	1784.64 3 /1 /89	2722.30 5 /9 /89	54.25 11/12/74
27	Health and Household (13)	2577.07	-0.4	6.08	2.54	19.60	0.03	2587.91	2644.93	2623.89	1933.59	2795.49 4 /1 /90	1778.20 3 /1 /89	2795.49 4 /1 /90	175.38 28/5 /80
29	Leisure (33)	1631.61	+0.3	8.24	3.63	14.95	0.24	1626.18	1651.25	1640.89	1428.39	1845.77 8 /9 /89	1346.22 3 /1 /89	1845.77 8 /9 /89	54.83 9 /1 /75
31	Packaging & Paper (15)	587.96	+0.4	11.20	4.91	11.22	0.44	585.54	592.17	586.46	566.92	623.86 4 /9 /89	512.34 16/10/89	739.48 16/7 /87	43.46 6 /1 /75
32	Publishing & Printing (17)	3637.67	----	8.65	4.86	14.93	3.12	3635.88	3691.90	3671.32	3441.48	3916.24 8 /2 /89	3236.76 4 /1 /89	5070.66 5 /10/87	55.08 6 /1 /75
34	Stores (31)	789.48	-0.2	11.07	4.75	11.76	0.25	791.43	805.81	794.96	721.86	921.71 4 /9 /89	679.97 3 /1 /89	1160.58 29/7 /87	52.63 6 /1 /75
35	Textiles (13)	519.13	-0.5	11.14	5.77	10.89	0.00	521.58	528.46	529.15	501.21	586.98 21/9 /89	464.71 3 /1 /89	914.52 2 /10/87	62.66 11/12/74
40	OTHER GROUPS (102)	1182.93	----	10.83	4.71	11.06	8.06	1182.96	1197.82	1186.81	956.22	1233.52 3 /1 /90	896.15 3 /1 /89	1233.52 3 /1 /90	58.63 6 /1 /75
41	Agencies (16)	1589.77	+1.7	6.65	2.26	18.47	8.85	1562.74	1571.82	1565.09	1152.63	1630.70 5 /9 /89	1030.84 3 /1 /89	1795.57 17/7 /87	870.35 4 /12/87
42	Chemicals (22)	1229.84	+0.1	12.33	5.24	9.56	0.27	1228.92	1250.83	1241.78	1093.69	1370.94 11/8 /89	1026.37 3 /1 /89	1545.46 5 /10/87	71.20 1 /12/74
43	Conglomerates (13)	1650.08	-0.2	11.01	5.90	10.63	0.00	1654.18	1669.42	1650.29	1323.23	1819.46 11/8 /89	1254.94 3 /1 /89	1819.46 11/8 /89	975.19 10/11/87
44	Transport (13)	2301.89	----	10.52	4.17	12.12	0.00	2300.73	2339.34	2323.68	2007.67	2554.69 12/7 /89	1836.25 4 /1 /89	2554.69 12/7 /89	90.80 29/6 /62
46	Telephone Networks (2)	1201.90	-0.7	10.57	4.26	12.31	0.00	1209.76	1230.80	1215.63	1047.17	1290.72 3 /1 /90	1002.43 3 /1 /89	1290.72 3 /1 /90	517.92 30/11/84
47	Water (10)	1970.22	+0.5	17.69	6.87	6.26	0.00	1959.73	1974.10	1951.04	0.00	2012.77 3 /1 /90	1951.04 16/1 /90	2012.77 3 /1 /90	1951.04 16/1 /90
48	Miscellaneous (26)	1921.50	+0.1	9.23	4.28	12.22	0.13	1919.71	1935.18	1920.68	1290.43	2087.06 11/7 /89	1183.56 5 /1 /89	2087.06 11/7 /89	60.39 6 /7 /75
49	INDUSTRIAL GROUP (484)	1179.90	+0.1	10.33	4.24	11.85	0.40	1179.18	1196.79	1184.54	1006.72	1273.71 5 /9 /89	935.74 3 /1 /89	1273.71 5 /9 /89	59.01 13/12/74
51	Oil & Gas (16)	2331.25	+0.1	9.26	4.90	14.27	0.00	2329.20	2363.16	2341.80	1866.70	2475.71 2 /1 /90	1725.77 3 /1 /89	2475.71 2 /1 /90	87.23 29/5 /62
59	500 SHARE INDEX (500)	1276.46	+0.1	10.18	4.33	12.14	0.37	1275.64	1294.63	1281.59	1079.69	1355.68 5 /9 /89	1002.81 3 /1 /89	1369.88 16/7 /87	63.49 13/12/74
61	FINANCIAL GROUP (114)	830.85	-0.5	-	5.11	-	0.18	835.21	845.07	840.23	709.83	869.67 3 /1 /90	670.86 3 /1 /89	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	869.83	-0.6	19.70	5.77	6.67	0.00	875.35	883.95	874.65	704.92	901.53 3 /1 /90	657.74 3 /1 /89	901.53 3 /1 /90	62.44 12/12/74
65	Insurance (Life) (7)	1370.47	-1.1	-	4.85	-	0.00	1385.60	1415.86	1404.94	1017.76	1484.67 3 /1 /90	933.96 5 /1 /89	1484.67 3 /1 /90	44.88 2 /1 /75
66	Insurance (Composite) (7)	698.82	-0.4	-	5.41	-	0.00	701.82	711.10	710.58	557.49	768.11 29/12/89	528.72 3 /1 /89	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (6)	1132.14	+0.1	6.56	5.57	20.29	0.00	1130.80	1131.87	1133.95	975.03	1194.74 4 /1 /90	916.68 3 /1 /89	1399.56 17/7 /87	65.86 16/12/74
68	Merchant Banks (8)	478.88	-0.1	-	3.71	-	0.00	479.35	485.73	484.70	329.95	501.45 8 /1 /90	318.05 3 /1 /89	547.59 12/10/87	31.21 7 /1 /75
69	Property (49)	1192.82	-0.3	7.69	3.60	16.45	0.11	1196.78	1209.49	1208.01	1238.39	1398.87 5 /9 /89	1126.55 17/10/89	1398.87 5 /9 /89	56.01 20/4 /65
70	Other Financial (28)	337.78	-0.2	12.49	6.24	10.50	1.04	338.60	341.83	339.59	363.62	391.49 8 /2 /89	304.56 16/10/89	603.48 16/7 /87	33.29 17/12/74
71	Investment Trusts (68)	1237.44	----	-	2.94	-	0.27	1236.74	1253.46	1245.74	993.96	1323.81 4 /1 /90	922.04 3 /1 /89	1323.81 4 /1 /90	71.12 13/12/74
91	Overseas Traders (5)	1528.70	+0.2	9.04	5.18	12.73	0.00	1526.22	1544.03	1553.85	1318.10	1614.04 3 /1 /90	1255.90 17/10/89	1614.04 3 /1 /90	97.37 6 /1 /75
99	ALL-SHARE INDEX (687)	1169.46	----	-	4.41	-	0.32	1169.74	1186.53	1175.64	988.99	1226.83 3 /1 /90	921.22 3 /1 /89	1238.57 16/7 /87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 18	Jan 17	Jan 16	Jan 15	Jan 12	Year ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2335.0	-1.9	2349.3	2319.7	2336.9	2373.9	2349.1	2366.2	2388.1	1917.5	2463.7 3 /1 /90	1694.5 8 /2 /88	2463.7 3 /1 /90	986.9 23/7 /84

FIXED INTEREST

	PRICE INDICES	Fri Jan 19	Day's change %	Thu Jan 18	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	114.51	+0.28	114.47	0.28	1.20
2	5-15 years	125.58	+0.76	124.64	-	0.43
3	Over 15 years	134.83	+1.05	133.43	-	0.00
4	Irredeemables	151.81	+1.32	149.83	-	0.00
5	All stocks	124.46	+0.64	123.77	0.10	0.66
	Index-Linked					
6	Up to 5 years	140.62	-0.08	140.73	-	0.00
7	Over 5 years	137.73	-0.02	137.77	-	0.47
8	All stocks	137.83	-0.03	137.87	-	0.44
9	Debentures & Loans	102.85	-2.27	105.24	-	0.31
10	Preference	83.51	+0.21	83.33	-	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jan 19	Thu Jan 18	Year ago (approx.)	1989/90 High	1989/90 Low
	British Government						
1	Low	5 years	10.68	10.77	9.21	10.77 18/1 /90	8.88 9 /2 /89
2	Coupons	15 years	10.22	10.34	8.92	10.34 18/1 /90	8.77 9 /2 /89
3		25 years	10.08	10.21	8.87	10.21 18/1 /90	8.73 16/2 /89
4	Medium	5 years	11.88	11.98	10.21	11.98 18/1 /90	9.96 8 /2 /89
5	Coupons	15 years	10.56	10.70	9.44	10.70 18/1 /90	9.21 8 /2 /89
6		25 years	10.16	10.28	9.09	10.28 18/1 /90	8.85 17/2 /89
7	High	5 years	12.01	12.09	10.47	12.09 18/1 /90	10.13 8 /2 /89
8	Coupons	15 years	10.75	10.88	9.60	10.88 18/1 /90	9.41 8 /2 /89
9		25 years	10.27	10.41	9.16	10.41 18/1 /90	8.99 27/1 /89
10	Irredeemables†		10.13	10.26	8.93	10.26 18/1 /90	8.68 15/3 /89
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	4.17	4.17	3.55	4.17 18/1 /90	2.75 21/8 /89
12	Inflation rate 5%	Over 5 yrs.	3.76	3.76	3.71	3.84 5 /6 /89	3.41 21/8 /89
13	Inflation rate 10%	Up to 5 yrs.	3.22	3.35	2.24	3.35 18/1 /90	1.91 21/8 /89
14	Inflation rate 10%	Over 5 yrs.	3.58	3.61	3.53	3.67 5 /6 /89	3.23 21/8 /89
15	Debs &	5 years	13.10	13.03	11.69	13.82 3 /11/89	11.47 30/12/88
16	Loans	15 years	12.61	12.29	11.31	12.61 19/1 /90	11.19 1 /2 /89
17		25 years	12.60	12.28	10.97	12.60 19/1 /90	10.66 27/2 /89
18	Preference†		11.07	11.09	10.17	11.09 18/1 /90	10.00 17/3 /89

‡Opening index 2346.2; 10 am 2340.9; 11 am 2336.2; Noon 2325.9; 1 pm 2321.3; 2 pm 2326.5; 3 pm 2326.5; 3.30 pm 2326.0; 4 pm 2330.1 (a) 9.19am (b) 12.40pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Hestair (43) has been deleted and replaced by Wheway (7).

INTERNATIONAL COMPANIES AND FINANCE

Bad-debts crisis deepens at Bank of New England

By Alan Friedman in New York

THE BANK of New England, hit extraordinarily hard by the growing crisis in real estate-related loans, yesterday revealed a staggering $1.5bn of bad debt provisions, a fourth-quarter loss of $1.2bn and the sale of more than $6bn of assets.

For the whole of 1989 the bank, the 15th largest in the US, suffered a $1.05bn loss, which compares with a 1988 net profit of $281.7m.

On Wall Street, where the bank's share price slumped by a third in heavy selling, the shock was compounded by the news that total non-performing loans had jumped to $2.25bn at year-end; only a few weeks ago the bank said it expected its non-performing loans for 1989 to total around $1.6bn. The share price stood at less than $3 yesterday morning, a stark contrast with the price of $23 last September.

In another illustration of the depth of the bank's crisis it was learned that the Federal Reserve and Office of the Comptroller of the Currency (OCC) are to order a series of drastic changes at the Boston-based bank. These changes, which are still being discussed with the regulatory authorities, include urgent moves to strengthen the bank's capital ratios and to make improvements in the quality of assets, in the bank's management and administration.

The bank's total assets at year-end were $29bn, down from $31bn a year before. Analysts estimate the current capital ratio at 1.3 per cent and say that, even after the $6bn of asset disposals it will rise to only 2.4 per cent, well below the 4 per cent regulatory minimum required.

A number of sell-offs and mergers are expected as part of the restructuring of the Bank of New England. The bank, which is present in four New England states, said yesterday it planned to merge its eastern Massachusetts banks to form a single institution. This may be a prelude to the sale of the regrouped business.

Mr James McDermott Jr, a senior banking analyst at Keefe Bruyette & Woods, said the situation at the bank represented "a swift deterioration in the condition of what used to be one of New England's most pre-eminent regional institutions."

Already last month it was announced that Mr Walter Connolly Jr, the much criticised chief executive of the bank, would step down from his post. Before Mr Connolly's move Mr James Sweeney, the executive vice president in charge of real estate lending, had been "assigned to other duties."

Merchant bank set up by First Boston

By Janet Bush in New York

CS FIRST Boston said its decision to form a new merchant banking company reflected a desire for a clear management structure to deal with the fall-out from the recent bankruptcy filings by Campeau Corporation's US retail subsidiaries.

It announced late on Thursday that it had removed Mr William Mayer, formerly chief executive officer of First Boston, the US investment bank, and placed him in charge of the new company to be called CS First Boston Merchant Bank.

The move means a concentration of power in the hands of Mr John Hennessey, president and chief executive officer of CS First Boston, who now becomes chief executive officer of First Boston as well.

A First Boston official took issue yesterday with the widespread view held on Wall Street that the move represented a demotion for Mr Mayer and, by implication, apportioned blame to him for the company's exposure to Campeau.

Mr Mayer will now be responsible for monitoring the company's exposure to Federated Department Stores and Allied Stores as well as its investments in 29 other companies in which it has made temporary bridge loans.

Another long-range problem stems from the collapse of a $475m junk bond offering for Ohio Mattress, planned for late last year.

First Boston has been left with most of the debt in the form of an illiquid loan to Ohio Mattress.

The official said the company remained committed to its merchant banking business and that the new structure gave a clear focus to managing problems associated with Campeau.

He added that it had been the view within First Boston for some time that having two chief executive officers was unworkable.

The bankruptcy filings list First Boston's exposure to the department stores at $526m. First Boston has said the maximum amount at risk is $293m, partly because it has already taken some losses on to its books. Its exposure comes largely through a bridge loan which it made to Campeau.

The activities of the new CS First Boston merchant banking subsidiary will include all principal investments such as leveraged buy-outs, venture capital, real estate and bridge lending.

Bid offers Poulenc route into US

By George Graham in Paris

RHONE-POULENC, the French state-owned chemicals group, has for three years been examining prospects for acquiring a pharmaceuticals company in the US, the world's most important market for drugs and medications.

With Thursday's agreement in principle to take control of Rorer, maker of the Maalox antacid stomach drug, Rhône-Poulenc hopes at last to gain entry to this market.

Mr Igor Landau, president of Rhône-Poulenc's health division, said: "Our first objective is to assure a strong presence in the US for our pharmaceuticals.

"We have a certain number of products now in development, which will be a strong commercial force there." The products in the pipeline include Lovenox, an anti-thrombosis drug.

Mr Landau added the second objective was to reach a critical size, "to become a real global competitor in research, in marketing, in all the fields where size counts."

Jean René Fourtou: completed six big acquisitions

Rorer, whose profits in 1989 are estimated at between $90m and $100m, derives about 20 per cent of its sales from the Maalox family. Its next most important product is Calcitonin, used in the treatment of osteoporosis, followed by Losol, a diuretic drug, and Albuminar, a blood derivative.

Rhône-Poulenc aims to merge most of its own health activities with Rorer in a new group with sales of about $3bn, in which it would own 68 per cent. Rorer's shareholders will retain 32 per cent.

The complex structure of the deal, which values Rorer at $3.2bn, helps to avoid cost difficulties, which have steered Rhône-Poulenc away from other opportunities in the US pharmaceutical sector.

The French company will pay Rorer shareholders a combination of cash, shares in the merged company, and "contingent value rights" which give shareholders an insurance policy by offering them a payment if Rorer's performance meets certain conditions, still to be fixed.

Mr Landau acknowledged that by not offering all cash for the bid, Rhône-Poulenc might prompt a counter-offer for Rorer. But the French group, like other French state-owned companies, is restricted from raising capital by the Government's refusal to allow even partial privatisation and its unwillingness to subscribe itself to a rights issue.

Mr Jean René Fourtou, the group's chairman, has already completed six big acquisitions in the last four years, ranging from the $575m purchase of Union Carbide's agri-chemicals business in 1986 to the £512m ($839m) acquisition of RTZ Chemicals and the $480m purchase of GAF-SSC, announced on the same day last September.

The company has also displayed ingenuity in inventing new financial techniques to finance these purchases, including the first French issue of perpetual subordinated notes.

Campeau reshape 'will succeed'

By Robert Gibbens in Montreal

THE restructuring of Campeau Corporation and its two big US store affiliates "will succeed with a strong effort by all parties," says Mr Andre Berard, chairman of National Bank of Canada.

Federated Department Stores and Allied Stores, whose chains include some of the best-known US department stores, filed for protection from creditors this week under the US Bankruptcy Code after an unsuccessful battle to alleviate a crippling debt burden.

National Bank of Canada has already made a special provision of C$20m (US$17m) against an estimated C$150m owed by Mr Robert Campeau, chairman of the troubled group, and two private holding companies. The bank loaned the money to Mr Campeau in 1987 after Campeau won control of Allied Stores but before it began a fight with R.H. Macy for Federated Department Stores.

Mr Berard said further special provisions would only be made if restructuring efforts failed.

Early this month the bank seized Campeau stock amounting to 23 per cent control of the company on a fully diluted basis. The stocks had been pledged as collateral for the loans.

It also took over certain Campeau real estate assets in Canada.

Mr Berard said after the bank's annual meeting that Mr Campeau was a fighter who "ran foul of a poor US retail climate and high interest rates. He is doing all he can to help the restructuring.

"Campeau can and will be saved."

The bank has two representatives in the Campeau boardroom, one of whom is watching the restructuring of the two US store chains.

Mr Berard said the loan to Mr Campeau would be included in the bank's non-performing loan category in the first quarter ending January 31.

Earnings would be stable compared with earlier periods.

Goldberg in talks with bankers

By Chris Sherwell in Sydney

ANOTHER Australian entrepreneur – Mr Abe Goldberg, the textiles magnate – has run into cash-flow problems and is to discuss a rescheduling of borrowings with his bankers next week.

Mr Goldberg, who made unsuccessful tilts at the British group Tootal in 1985 and 1989, was listed last year as one of Australia's richest men. He now joins Mr Alan Bond, Mr George Herscu and Mr Christopher Skase in the ranks of troubled local financiers.

In a request to the stock exchange yesterday, Mr Goldberg asked for trading in his Entrad Corporation to be suspended. On Thursday another Goldberg-controlled company, Parkston, was also suspended.

Entrad and Parkston said a meeting of lenders would be held next week "in order to consider various proposals to reschedule the existing borrowings." This follows a study of the companies' financial position by KMPG Peat Marwick, the accounting firm.

Other companies in Mr Goldberg's empire are also under threat, including the privately-owned Linter group. Most are best known for their brand names, like Speedo swimwear and Kayser hosiery.

The precise scale of Mr Goldberg's debts and his cash shortfall is unknown, not least because of the complexity of his empire's structure. Numerous domestic and foreign banks are thought to have exposure.

Mr Goldberg's troubles became increasingly obvious in recent weeks as his 75 per cent-owned Corama failed to settle a A$360m (US$285.7m) purchase of shares in Industrial Equity (IEL) from Brierley Investments, IEL's New Zealand parent.

Corama, a vehicle through which Mr Goldberg and two IEL executives attempted a A$1.8bn management buy-out of Industrial Equity, contracted to purchase a 19.4 per cent holding in IEL last July. But the buy-out hit financing difficulties and was overtaken by a successful bid from Adelaide Steamship.

Mr Goldberg is also facing problems disposing of Brick & Pipe Industries, which he bought for A$380m last June and subsequently sought to sell to help finance the IEL purchase.

The sustained high level of Australian interest rates over recent months has added to his difficulties, culminating in the decision late in December to call in Peat Marwick.

Mr Goldberg's problems represent a dramatic reversal of fortunes. Now almost 60, he arrived in Australia in 1948 as a Polish refugee and, through a knitting mill business, went literally from rags to riches to become known as Australia's Textile King.

Australian winemaker expands

HARDY WINE, a family-owned Australian winemaker, has bought a 60 per cent stake in Casa Vinicola Barone Ricasoli, an Italian winery located in Tuscany, AP-DJ reports.

Ricasoli was the subject of a management buy-out in 1986 when a group led by Mr Roger Lamberth, chief executive, acquired a controlling interest.

The Lamberth group and the Ricasoli family will retain an interest in the Italian company, and current management will remain.

Ricasoli produces 850,000 cases of wine a year. Production will be increased to a maximum capacity of 2.5m cases by 1995.

In December Hardy expanded its UK activities by buying wine importers Whiclar Wines and Andrew Gordon Wines. It also recently acquired Stanley Wine of the US.

The Australian company has annual sales approaching A$200m (US$158m).

Holzmann buys 50% stake in Juan Obregon

PHILIP Holzmann, the West German construction group, has acquired for an undisclosed sum a half share in Juan Obregon Toledo Construcciones of Spain, AP-DJ reports.

Juan Obregon, a Madrid-based builder, has a turnover equal to about DM230m ($135.3m) and employs nearly 870 people. The two companies plan to work jointly on projects in Spain.

Holzmann has been actively buying and selling subsidiaries over the past few months. The company said in December it planned to acquire a 25.1 per cent stake in Kurt Lissner/Umweltschutz Nord, the industrial waste purification group.

German banks join forces in first cross-border link

By Leslie Colitt in Berlin

BERLINER Volksbank of West Berlin is to take a 10 per cent stake in East Berlin's Berliner Volksbank, the first German banks to join forces across the border.

The co-operatively-owned West Berlin bank said the East's Volksbank had DM60m ($35.3m) in deposits, compared with its DM4.8bn. The two sides still have to settle which exchange rate is to be used.

Links may also be forged soon between savings banks in Hesse, West Germany, and Thuringia in the East. Hessische Sparkassen and Giroverband said savings banks in Thuringia could be helped with institutional know-how, including training of personnel, computerisation and the creation of a federation.

It said that until the end of the Second World War, close ties existed between the federation of North Hessian savings banks in Kassel and Thuringian savings banks in Erfurt and Suhl.

Dresdner Bank, West Germany's second largest bank, was the first to set up in East Germany when it opened recently a branch in Dresden, where it originated. It has since been given clearance to establish branches in other East German cities.

Arnault wins key round in LVMH fight

By George Graham

MR Bernard Arnault, chairman of LVMH, the French drinks and luxury goods company, yesterday won an important battle in his long-running legal struggle for control of the group.

The Paris commercial court comprehensively rejected a suit from a number of small LVMH shareholders – backed by Mr Henry Racamier, head of the group's Louis Vuitton luggage subsidiary and Mr Arnault's principal opponent – for the cancellation of a block of LVMH shares held by Mr Arnault in association with his partner, the UK drinks group Guinness.

The court had already rejected a demand for the cancellation of the shares, which result from a contested issue of bonds with attached warrants. However, the suit was renewed when the court of appeal ruled that the conditions of the bond issue were "irregular."

In a 34-page judgment the commercial court refused to re-try the case and rejected the suit. VIG, the Vuitton family holding company headed by Mr Racamier, said last night that it would appeal against the judgment. But lawyers representing the small shareholders who have been the principal plaintiffs said they must consider whether to press the suit further.

Mr Arnault has been seeking to remove Mr Racamier from the chairmanship of Louis Vuitton. The lawsuits have prevented a shareholders' meeting, at which Mr Arnault would be likely to prevail as LVMH controls 98 per cent of Vuitton's capital.

Provigo to sell wholesale unit

By Robert Gibbens

PROVIGO, Canada's second largest food distributor, is selling Medis Health, its pharmaceuticals wholesaling subsidiary, to a company jointly owned with McKesson Corp of San Francisco.

Provigo bought Medis Health as part of its diversification strategy. The disposal allows the entry of McKesson into the Canadian pharmaceuticals distribution industry.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989/90	Low 1989/90
Gold per troy oz.	$410.00	-7.75	$405.25	$417.75	$356.5
Silver Per troy oz	316.60	-3.9	339.65p	376.15p	313.90p
Aluminium 99.7% (cash)	$1495.5	-64.5	$2357.5	$2610	$1495.5
Copper Grade A (cash)	£1388.0	-64.5	£1935	£1982.5	£1388
Lead(cash)	£420.0	-2.5	£375.5	£487.5	£337
Nickel (cash)	$5675	-850	$1852.5	$19350	$5667.5
Zinc (cash)	$1245	-20	$1757.5	$2107.5	$1245
Tin (cash)	$6550	-140	£4325	$10780	$6440
Cocoa Futures (May)	£636	-23	£865	£947	£623
Coffee Futures (Mar)	£590	-20	£1193	£1270	£586
Sugar (LDP Raw)	$342.6	-2.5	$250	$381.0	$235.8
Barley Futures (Mar)	£110.80	-1.85	£111.35	£113.85	£100.95
Wheat Futures (Mar)	£115.75	-0.90	£114.50	£121.65	£104.7
Cotton Outlook A Index	74.90c	+0.15	63.8c	84.95c	61.35c
Wool (64s Super)	573p		680p	710p	570p
Rubber (Spot)	53p		61.0p	64p	52.5p
Oil (Brent Blend)	$19.90z	-1.35	$17.8	$21.975	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. z-Mar.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.82-6.93z	+.325
Brent Blend	$19.87-9.93z	+.375
W.T.I. (1 pm est)	$22.10-2.15z	+0.54
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$211-212	-1
Gas Oil	$179-180	-½
Heavy Fuel Oil	$93-95	
Naphtha	$198-199	+5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$410	-3
Silver (per troy oz)♣	522c	-4
Platinum (per troy oz)	$495.15	-5.65
Palladium (per troy oz)	$134.00	-1.75
Aluminium (free market)	$1500	-35
Copper (US Producer)	107⅝-109c	-½
Lead (US Producer)	40.5c	
Nickel (free market)	300c	-20
Tin (Kuala Lumpur market)	17.70r	-0.18
Tin (New York)	302.5c	-5.5
Zinc (US Prime Western)	68¼c	
Cattle (live weight)†	109.26p	-0.37*
Sheep (dead weight)†	205.37p	+9.07*
Pigs (live weight)†	85.09p	+10.0*
London daily sugar (raw)	$342.6x	+0.80
London daily sugar (white)	$419x	
Tate and Lyle export price	£323	+1
Barley (English feed)	£116	
Maize (US No. 3 yellow)	£128.5	
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	53.0p	
Rubber (Feb)♥	55.00p	
Rubber (Mar)♥	56.00p	
Rubber (KL RSS No 1 Feb)	224.5m	+1.0
Coconut oil (Philippines)§	$430.0t	-2.5
Palm Oil (Malaysian)§	$277.5w	-2.5
Copra (Philippines)§	$280	
Soyabeans (US)	£173	+1
Cotton "A" Index	74.9c	
Wooltops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Mar	19.55	19.50	19.96	19.65
Apr	19.36	18.98	19.38	19.10
May	18.84		18.90	18.75
IPE Index	19.45	19.27		

Turnover: 8786 (6848)

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	622	627	626	621
May	636	638	640	634
Jul	650	655	655	649
Sep	665	671	670	665
Dec	688	694	693	688
Mar	706	710	709	705
May	720	724	723	721

Turnover: 5084 (9202) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 18 749.82 (756.82):10 day average for Jan 19 756.65 (755.57)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Jan	574	571	575	570
Mar	590	591	596	588
May	606	605	612	605
Jul	625	623	628	623
Sep	642	641	646	639
Nov	660	658	664	658
Jan	680	678	682	677

Turnover: 3038 (4760) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 18: Comp. daily 61.34 (61.18). 15 day average 63.00 (63.13)

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	314.20	319.00	319.00	314.00
May	315.00	319.00	318.40	314.60
Aug	313.60	316.40	316.00	313.00
Oct	305.60	309.00	308.00	305.00
Dec	303.40	310.00	300.00	
Mar	286.00	290.00	286.00	285.00
May	285.40		285.40	284.20
White	**Close**	**Previous**	**High/Low**	
Mar	411.6	415.0	416.0	411.5
May	412.0	415.0	416.0	412.5
Aug	416.0	418.0	419.0	417.0
Oct	383.5	387.5	386.5	383.0
Dec	357.0	362.0	360.1	359.0
Mar	352.5	357.5	354.5	354.0

Turnover: Raw 2451 (2340) lots of 50 tonnes. White 1475 (1679)
Paris- White (FFr per tonne): Mar 2405, May 2415, Aug 2465, Oct 2275, Dec 2150, Mar 2130.

GAS OIL – IPE			$/tonne	
	Latest	Previous	High/Low	
Feb	175.75	172.75	176.25	173.50
Mar	169.75	166.50	170.50	167.25
Apr	163.75	162.50	163.75	162.25
May	161.50	161.00	162.00	160.00
Jun	161.50	160.00	161.50	160.00
Jul	162.00	160.25	162.00	161.00

Turnover 7675 (6944)lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 18,600 tonne
Cash	1494-7	1512-7	1498/1497	1496-9		
3 months	1516-7	1526-30	1522/1512	1518-9	1518-20	30,891 lots
Copper, Grade A (£ per tonne)						Ring turnover 75,375 tonne
Cash	1387-9	1441-3	1400/1380	1399.5-400.5		
3 months	1401-2	1449-50	1435/1393	1414-5	1400-1	60,334 lots
Lead (£ per tonne)						Ring turnover 8,900 tonne
Cash	419-21	426-7	421/420	421-1.5		
3 months	414-5	419-20	418/413	414-5	415-6	9,734 lots
Nickel ($ per tonne)						Ring turnover 1,734 tonne
Cash	6650-700	6650-75	6700/6450	6425-50		
3 months	6450-500	6510-25	6450/6300	6325-50	6450-75	6,549 lots
Tin ($ per tonne)						Ring turnover 660 tonne
Cash	6540-60	6640-60	6690/6570	6580-90		
3 months	6660-70	6750-70	6700/6650	6665-96	6660-70	5,226 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 16,400 tonne
Cash	1248-52	1264-7	1258/1257	1258-9		
3 months	1256-8	1263-5	1265/1237	1263-5	1263-5	15,432 lots
Zinc ($ per tonne)						Ring turnover 1,250 tonne
Cash	1240-50	1240-50		1240-50		
March 30	1210-20	1210-20		1210-20		1,404 lots

LME Closing £/$ rate: SPOT: 1.6460 3 months: 1.6196 6 months: 1.5962 9 months: 1.5729

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Feb	145.0	145.0	142.0	
Apr	198.5	198.1	199.0	197.5
May	225.0	224.8	224.0	223.0
Nov	103.0		102.0	

Turnover 110 (116) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Feb	136.50	136.50	
Apr	137.25	137.50	

Turnover 0 (26) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
Jan	1677	1679	1685	1675
Feb	1673	1678	1685	1670
Apr	1687	1696	1703	1685
Jul	1425	1440	1435	1430
Jan	1518	1518	1520	1515
Jul	1335	1335		
BFI	1669	1664		

Turnover 332 (611)

GRAINS – BFE			£/tonne	
Wheat	Close	Previous	High/Low	
Jan	113.20	113.40	113.00	
Mar	115.75	116.25	116.25	115.75
May	119.80	120.20	120.20	119.55
Jun	121.20		121.65	121.15
Nov	109.00	109.15	109.00	
Barley	**Close**	**Previous**	**High/Low**	
Jan	109.35	109.50	109.35	
Mar	110.80	111.00	110.80	
May	112.80	113.00		

Turnover: Wheat 225 (160), Barley 15 (333). Turnover lots of 100 tonnes.

PIGS – BFE		(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Feb	104.0	102.1	104.0	
Apr	109.0	109.5	108.0	107.5

Turnover 19 (34) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	409¾-410¼	249-249½
Opening	410¾-411¼	250-250½
Morning fix	410.60	249.663
Afternoon fix	408.65	248.722
Day's high	410¾-411¼	
Day's low	408¼-408¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	417-422	253½-256½
Britannia	417-422	253½-256½
US Eagle	417-422	253½-256½
Angel	417-422	253½-256½
Krugerrand	409-412	249-251
New Sov.	97-99	59-60
Old Sov.	97-99	59-60
Noble Plat	501.10-509.00	305.90-310.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	316.60	520.50
3 months	328.30	531.05
6 months	340.15	541.70
12 months	364.75	565.90

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	115	125	3	11
1500	41	56	28	42
1600	8	21	93	102
Copper (Grade A)	**Calls**		**Puts**	
2150	148	153	18	46
2250	81	97	49	89
2350	37	57	104	146
Coffee	**Mar**	**May**	**Mar**	**May**
550	42	65	4	9
600	12	33	24	27
650	2	14	64	58
Cocoa	**Mar**	**May**	**Mar**	**May**
600	31	55	9	20
650	8	29	36	44
700		13		78
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900	94		11	
1950	63			
2000	32	30		

US MARKETS

IN THE METALS, sideways action was featured in the gold, silver and platinum markets, reports Drexel Burnham Lambert. Copper was lower due to an expected rise in LME stocks. The softs had higher prices in the coffee due to a low crop estimate from Brazil. The March contract gained 194 closing at 8131. Sugar and cocoa closed lower after mixed trade. All of the grains were down led by the wheat. Snowfall in the wheat belt sank prices 5 3/4 basis March. The other grains fell from general liquidation. The livestocks ended the week mixed. Light commission house activity weakened belly and hog futures. Cattle remained strong from the higher cash market. Cotton and orange juice both advanced but volume was only moderate. The energy complex added to Thursday's gains on good technical action. Crude *oil prices rose over the 23 Dollar level.*

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jan	410.0	410.2	0	0
Feb	410.9	411.2	412.8	409.0
Mar	413.4	413.7	413.0	413.0
Apr	416.4	416.7	418.4	414.5
Jun	421.7	421.9	423.4	419.7
Aug	426.7	426.8	428.0	427.7
Oct	431.9	431.9	0	0
Dec	437.0	437.0	438.0	436.0
Feb	442.2	442.2	442.0	441.2

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	497.0	493.6	495.0	494.0
Apr	504.0	500.1	504.8	498.0
Jul	510.5	506.6	510.0	505.5
Oct	517.5	513.8	514.0	514.0
Jan	525.0	521.3	522.5	522.5
Apr	532.5	528.3	528.5	529.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	520.2	519.0	520.0	517.0
Feb	520.9	519.9	0	0
Mar	525.0	524.0	527.5	522.0
May	533.4	532.4	535.5	530.0
Jul	541.6	540.6	544.0	539.0
Sep	550.2	549.2	550.0	550.0
Dec	562.0	561.0	564.0	560.0
Jan	565.6	564.6	0	0
Mar	574.4	573.4	572.0	572.0
May	582.3	581.3	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan 19	Jan 18	mnth ago	yr ago
1798.7	1799.6	1823.1	1991.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan 18	Jan 17	mnth ago	yr ago
Spot	127.21	126.90	128.42	140.70
Futures	130.00	130.41	130.74	142.25

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	101.00	103.25	101.50	100.10
Feb	99.80	102.80	100.10	99.75
Mar	99.30	102.35	100.80	98.80
Apr	99.00	101.70	0	0
May	98.80	101.30	0	98.50
Jun	98.45	100.80	99.80	98.20
Jul	98.15	100.40	99.40	97.80
Aug	97.85	100.05	98.50	98.50
Sep	97.55	99.60	99.00	97.70
Oct	97.25	99.20	97.75	97.75

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Feb	23.70	22.78	23.70	22.90
Mar	22.19	21.59	22.23	21.71
May	20.90	20.50	20.98	20.60
Jun	20.49	20.10	20.55	20.17
Jul	20.15	19.75	20.15	19.83
Sep	19.57	19.22	19.57	19.30
Oct	19.31	19.03	19.31	19.12

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	6325	6184	6405	6200
Mar	5975	5867	6010	5880
Apr	5695	5606	5710	5620
May	5510	5458	5510	5450
Jun	5380	5321	5375	5315
Jul	5331	5286	5331	5300
Aug	5370	5341	5370	5345
Sep	5450	5421	5480	5430
Oct	5600	5481	5510	5500

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	932	937	939	925
May	934	943	943	926
Jul	946	960	959	945
Sep	967	974	978	965
Dec	995	1000	1003	994
Mar	1015	1021	1024	1014
May	1028	1033	1030	1026

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	81.31	79.37	81.45	79.25
May	82.61	80.93	82.80	81.00
Jul	84.30	82.86	84.70	0
Sep	86.10	84.90	86.10	84.90
Dec	88.20	87.35	88.75	0
Mar	90.75	89.50	0	0
May	92.75	91.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	14.28	14.41	14.43	14.25
May	14.25	14.36	14.40	14.25
Jul	14.10	.90	14.25	14.10
Oct	13.71	13.87	13.90	13.70
Mar	13.04	13.14	13.19	13.04
May	12.95	13.04	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	67.02	66.50	67.30	66.45
May	68.05	67.53	68.27	67.60
Jul	68.25	67.65	68.45	67.60
Oct	65.50	65.50	65.89	65.40
Dec	64.25	64.12	64.75	64.25
Mar	65.03	64.85	0	0
May	65.50	65.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	197.80	195.60	199.00	194.50
May	198.85	195.05	198.90	194.70
Jul	198.95	194.95	198.95	195.20
Sep	196.40	193.25	196.40	193.25
Nov	194.25	191.00	194.50	191.80
Jan	191.95	188.80	191.95	187.05
Mar	189.95	186.20	0	0
May	190.00	188.20	190.00	190.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	558/0	560/6	561/0	557/4
Mar	566/4	570/2	570/4	565/0
May	576/6	583/6	584/0	578/2
Jul	589/2	595/2	595/4	589/0
Aug	593/2	598/4	598/0	593/0
Sep	593/2	596/0	598/0	593/0
Nov	599/2	602/2	603/6	599/0
Jan	610/0	612/0	613/0	610/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	18.80	19.03	19.07	18.78
Mar	19.01	19.23	19.28	19.00
May	19.41	19.58	19.63	19.39
Jul	19.68	19.84	19.90	19.67
Aug	19.72	19.92	19.92	19.72
Sep	19.69	19.95	19.97	19.68
Oct	19.80	20.00	20.00	19.80
Dec	19.96	20.08	20.15	19.96

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jan	167.5	170.3	170.3	167.5
Mar	171.6	173.6	173.8	171.5
May	173.7	175.6	175.8	173.5
Jul	176.5	178.4	178.8	176.3
Aug	177.6	179.5	180.0	177.5
Sep	178.7	180.9	181.2	178.5
Oct	179.8	182.0	182.2	179.8
Dec	183.5	184.8	184.7	183.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	241/6	242/0	242/0	241/4
May	247/6	1/2	248/4	247/4
Jul	252/2	252/6	252/6	252/0
Sep	251/4	252/2	252/4	251/2
Dec	249/4	249/6	250/4	248/6
Mar	256/0	256/0	256/2	254/4
May	259/4	259/6	260/4	258/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	392/0	397/6	397/0	391/6
May	372/0	376/6	376/0	371/0
Jul	352/2	5352/6	353/4	350/6
Sep	357/6	357/4	358/4	356/2
Dec	368/2	368/6	369/4	367/0
Mar	374/0	374/4	374/0	374/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	79.35	78.80	79.37	78.70
Apr	77.40	77.00	77.45	76.80
Jun	72.55	72.30	72.62	72.20
Aug	71.60	71.32	71.65	71.12
Oct	72.42	72.32	72.47	72.12
Dec	72.90	72.85	72.97	72.65

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	49.55	49.60	49.82	49.20
Apr	48.17	48.10	48.45	47.65
Jun	52.65	52.95	53.30	52.65
Jul	52.87	52.82	53.20	52.60
Aug	51.20	51.02	51.50	50.87
Oct	45.50	45.40	45.65	45.45
Dec	46.67	46.75	46.95	46.50
Feb	46.90	46.90	46.92	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	55.15	55.52	55.82	54.52
Mar	55.67	56.90	56.50	55.15
May	57.27	57.25	57.85	56.55
Jul	57.60	57.55	58.05	56.85
Aug	55.65	56.72	56.20	55.15
Feb	57.70	58.50	58.55	57.70
Mar	56.80	56.80	0	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly easier

THE DOLLAR weakened in quiet trading ahead of the week-end. There were no fresh factors, but the US currency remained underpinned by nervousness arising from the violence in two of the Soviet Union's republics. Concern that Mr Mikhail Gorbachev's position as Soviet leader may not be secure, and that this could have implications for the process of liberalisation in eastern Europe, also had a dampening impact on the West German D-Mark, but overall there was no clear direction to the foreign exchanges.

Position squaring ahead of the week-end tended to push the dollar down after it failed to consolidate above DM1.7100. The US currency touched a peak of DM1.7185 but fell back in late European trading and remains well below resistance at DM1.7225 At present it seems locked in a narrow range. This may be a reflection of fear that the Bundesbank will intervene again if the dollar moves much higher. Earlier this month the German central bank intervened when the US currency rose to DM1.7320.

At the London close the dollar had fallen to DM1.7045 from DM1.7080; to SFr1.5140 from SFr1.5185; to FFr5.7900 from FFr5.8050; and to Y145.60 from Y146.05. According to the Bank of England the dollar's index rose to 67.8 from 67.6.

In Tokyo yesterday the Bank of Japan continued to support the yen, selling some $500m, but the dollar maintained a firm tone. Dealers noted that the Japanese central bank also intervened to sell about $250m in Sydney, through the Australian Reserve Bank.

Sterling improved against the dollar, but eased against other major currencies, as the market analysed yesterday's figures on UK retail prices and bank lending. After recent disappointing data, the market was relieved that December retail prices rose only 0.3 per cent and that the year-on-year inflation rate was unchanged at 7.7 per cent. Some forecasts had been as high as 8.0 per cent.

The market was prepared to accept there were special factors - including the privatisation of the UK water industry and Christmas spending - behind a very sharp rise in bank and building society lending of £10.3bn in December. It was noted that companies were forced to borrow to make tax payments, boosting the bank lending figure and suggesting that the policy of high interest rates is squeezing the corporate sector, which in turn will make it more difficult for companies to meet inflationary pay demands.

Sterling rose 20 points to $1.6470, but fell to DM2.8075 from DM2.8100; to SFr2.4925 from SFr2.4975; to FFr9.5350 from FFr9.5500; and to Y239.75 from Y240.25. On Bank of England figures the pound's index was unchanged at 88.1.

£ IN NEW YORK

Jan.19	Latest	Previous Close
£ Spot	1.6465-1.6475	1.6435-1.6445
1 month	0.93-0.92pm	0.94-0.93pm
3 months	2.70-2.67pm	2.70-2.67pm
12 months	9.25-9.15pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.19	Previous
8.30 am	88.1	87.7
9.00 am	88.2	87.9
10.00 am	88.3	87.8
11.00 am	88.2	87.8
Noon	88.2	87.8
1.00 pm	88.1	87.8
2.00 pm	87.9	87.8
3.00 pm	88.0	88.0
4.00 pm	88.1	88.1

CURRENCY RATES

Jan.19	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25115	1.38112
U.S Dollar	7	1.31447	1.18708
Canadian $	12.46	1.53998	1.39600
Austrian Sch.	6½	15.7421	14.3446
Belgian Franc	10¼	46.7886	42.6399
Danish Krone	10½	8.65447	7.88516
Deutsche Mark	6.00	2.23512	2.03774
Neth. Guilder	7.00	2.51984	2.29593
French Franc	10¼	7.59764	6.92541
Italian Lira	13½	1664.25	1516.49
Japanese Yen	4¼	191.387	173.432
Norway Krone	8	8.61109	7.82759
Spanish Peseta	-	144.213	132.015
Swedish Krona	9½	8.12342	7.38600
Swiss Franc	6.00	1.98879	1.80911
Greek Drach.	29½	N/A	189.826
Irish Punt	-	N/A	0.767838

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Jan.18

CURRENCY MOVEMENTS

Jan.19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.1	-23.2
U.S Dollar	67.8	+10.6
Canadian Dollar	103.2	+1.1
Austrian Schilling	109.3	+12.0
Belgian Franc	109.7	-3.5
Danish Krone	108.8	+3.3
Deutsche Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.18

OTHER CURRENCIES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6365 - 1.6475	1.6465 - 1.6475	0.93-0.91cpm	6.70	2.66-2.63pm	6.42
Ireland†	1.5425 - 1.5535	1.5520 - 1.5530	0.50-0.45cpm	3.69	1.38-1.28pm	3.45
Canada	1.1705 - 1.1825	1.1790 - 1.1800	0.37-0.41cdis	-3.97	1.02-1.10dis	-3.59
Netherlands	1.9185 - 1.9360	1.9185 - 1.9195	0.08-0.10cdis	-0.56	0.27-0.32dis	-0.61
Belgium	35.65 - 35.95	35.70 - 35.80	5.00-7.00cdis	-2.01	16.50-20.50dis	-2.06
Denmark	6.59¾ - 6.65	6.61¼ - 6.61¾	1.95-2.15oredis	-3.71	5.40-5.90dis	-3.41
W. Germany	1.7040 - 1.7190	1.7040 - 1.7050	0.05-0.03pfpm	0.28	0.04-0.01pm	0.06
Portugal	150.25 - 150.70	150.25 - 150.35	95-115cdis	-8.37	315-365dis	-9.04
Spain	110.60 - 111.40	110.75 - 110.85	56-66cdis	-6.62	180-190dis	-6.69
Italy	1268 - 1278¼	1268 - 1268½	3.70-4.50liredis	-3.86	12.00-13.50dis	-4.00
Norway	6.57½ - 6.60	6.57¾ - 6.58¼	1.60-1.85oredis	-3.14	5.10-5.50dis	-3.21
France	5.78¾ - 5.83¼	5.78¾ - 5.79¼	1.10-1.20cdis	-2.37	3.55-3.70dis	-2.49
Sweden	6.19¾ - 6.22½	6.20¾ - 6.21¼	1.82-1.97oredis	-3.66	6.40-6.75dis	-4.23
Japan	145.55 - 146.45	145.55 - 145.65	0.22-0.20ypm	1.73	0.50-0.47pm	1.33
Austria	12.05½ - 12.09¾	12.08¾ - 12.09¼	0.80-0.10grodpm	0.45	0.50dis-1.40pm	0.15
Switzerland	1.5135 - 1.5270	1.5135 - 1.5145	0.15-0.18cdis	-1.30	0.42-0.47dis	-1.17
ECU	1.1850 - 1.1955	1.1910 - 1.1920	0.28-0.26cpm	2.72	0.85-0.82pm	2.80

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.70-35.80.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6365 - 1.6475	1.6465 - 1.6475	0.93-0.91cpm	6.70	2.66-2.63pm	6.42
Canada	1.9215 - 1.9450	1.9440 - 1.9450	0.49-0.40cpm	2.75	1.49-1.32pm	2.89
Netherlands	3.15½ - 3.17¼	3.15½ - 3.16½	1¾-1⅝cpm	6.41	4⅞-4⅝pm	5.85
Belgium	58.70 - 59.10	58.85 - 58.95	24-21cpm	4.58	69-63pm	4.48
Denmark	10.87¾ - 10.92¼	10.89 - 10.90	2⅞-2⅝orepm	3.03	8⅞-8¼pm	3.12
Ireland	1.0500 - 1.0700	1.0595 - 1.0605	0.35-0.30ppm	3.68	0.96-0.86pm	3.43
W. Germany	2.80¼ - 2.82	2.80½ - 2.81	1¾-1⅝pfpm	7.21	4⅝-4½pm	6.50
Portugal	246.50 - 248.30	246.50 - 247.50	5-40cdis	-1.09	94-178dis	-2.20
Spain	181.95 - 182.85	181.95 - 182.25	7-1cpm	0.26	18-5pm	0.25
Italy	2085½ - 2100	2088¼ - 2089¼	5-4lirepm	0.03	13-11pm	0.02
Norway	10.81 - 10.84¼	10.83¼ - 10.84¼	3⅝-3¼orepm	3.74	9⅞-9¼pm	3.46
France	9.53 - 9.59	9.53 - 9.54	3⅝-3¼cpm	4.40	9⅞-9⅝pm	4.09
Sweden	10.20½ - 10.25	10.22¾ - 10.23¾	2⅞-2⅛orepm	2.93	6⅞-6¼pm	2.49
Japan	239 - 240¼	239¼ - 240¼	1¾-1⅝ypm	8.45	4¾-4⅝pm	7.82
Austria	19.80 - 19.89	19.80 - 19.83	12¼-11¾grodpm	7.12	34¾-30⅞pm	6.56
Switzerland	2.48¾ - 2.54¼	2.49¾ - 2.49¾	1¾-1⅝cpm	5.72	3⅞-3½pm	5.52
ECU	1.3800 - 1.3840	1.3800 - 1.3810	0.48-0.45cpm	4.04	1.29-1.24pm	3.67

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.85-58.95 Six-month forward dollar 5.16-5.11cpm 12 months 9.28-9.18cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6339	+1.11	+1.11	±1.5508
Danish Krone	7.79845	7.88516	+1.11	+1.11	±1.6453
German D-Mark	2.04446	2.03774	-0.33	-0.33	±1.1762
French Franc	6.85684	6.92541	+1.00	+1.00	±1.3618
Dutch Guilder	2.30358	2.29593	-0.33	-0.33	±1.5272
Irish Punt	0.763159	0.767838	+0.61	+0.61	±1.6689
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.19) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

(Lunchtime)					
Prime rate	10	One month	7.28	Three year	8.25
Broker loan rate	9¾	Two month	8.09	Four year	8.22
Fed.funds	8¾	Three month	7.99	Five year	8.22
Fed.funds at intervention	-	Six month	8.00	Seven year	8.26
		One year	7.99	10-year	8.29
		Two year	8.22	30-year	8.31

Jan.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.70-7.80	8.00-8.15	7.95-8.10	8.05-8.25	8.30-8.45	8.00
Paris	10¼-10⅜	10⅝-10¾	-	11-11¼	-	9.50
Zurich	8⅞-9¼	9⅞-9⅝	-	9⅞-9⅝	-	-
Amsterdam	8.75-8.87	8.80-8.87	-	8.88-8.98	-	-
Tokyo	6⅞-6¾	6¾-6⅞	-	6⅞-7	-	-
Milan	12¼-12¾	12⅞-13¼	-	12⅞-13¼	-	-
Brussels	9.40	10¼-10½	-	10⅝-10⅞	-	-
Dublin	11⅛-11⅜	11⅞-12	11⅞-12	11⅞-12⅛	11⅞-12	-

LONDON MONEY RATES

Jan 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14¾	15⅛	15¼	15½	15⅝	15⅝
Interbank Bid	13	14⅞	15⅛	15⅜	15⅜	15½
Sterling CDs	-	-	15⅛	15⅜	15¼	15
Local Authority Deps.	14¾	15	15⅛	15¼	15¼	15¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps.	14¾	14¾	14¾	14⅝	-	-
Company Deposits	-	-	15⅛	15⅜	15¾	15⅜
Finance House Deposits	-	-	15¼	15⅜	15⅜	15¼
Treasury Bills (Buy)	-	-	14⅜	14⅝	-	-
Bank Bills (Buy)	-	-	14⅝	14⅝	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅜	15⅜	14⅞	-
Dollar CDs	-	-	8.28	8.30	8.40	8.52
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅝	9	9⅛	9⅛
ECU Linked Dep. Offer	-	-	11	11⅛	11½	11½
ECU Linked Dep. Bid	-	-	10⅞	11⅛	11⅜	11⅜

Treasury Bills (sell); one-month 14⅜ per cent; three months 14⅜ per cent; Bank Bills (sell); one-month 14⅜ per cent; three months 14⅜ per cent; Treasury Bills; Average tender rate of discount 14.5684 p.c. ECGD Fixed-Rate Sterling Export Finance. Make up day December,29 1989 . Agreed rates for period January,24 1990 to February,25 , 1990. Scheme I: 15.90 p.c., Schemes II & III: 16.38 p.c. Reference rate for period Dec.1,1989 to December,29 , 1989, Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

MONEY MARKETS

UK rates easier

RATES EASED on the London money market. Higher than expected December UK bank lending was offset by satisfaction at an unchanged rise in the monthly retail price index. Three-month sterling interbank fell to 15¼-15⅛ from 15⅜-15¼ per cent.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England initially forecast a credit shortage of £1,050m, but revised this to £1,100m at noon, and to £1,000m in the afternoon. Total help of £1050m was provided.

An early round of help was offered and at that time the authorities bought £581m bank bills bills outright, in band 2 at 14¾ per cent. A further £469m bills were purchased before lunch, by way of £1m Treasury bills in band 2 at 14¾ per cent and £468m bank bills in band 2 at 14¾ per cent. The Bank of England did not operate in the market during the afternoon.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £466m, with exchequer transactions absorbing £230m, and a rise in the note circulation £350m.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; THREE MONTH EURODOLLAR; FT-SE 100 INDEX; US TREASURY BONDS 8%; THREE MONTH ECU; POUND-$ (FOREIGN EXCHANGE); 6% NOTIONAL GERMAN GOVT. BOND; DM-STERLING; PHILADELPHIA SE £/$ OPTIONS; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; CHICAGO: U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); THREE MONTH STERLING; DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM)

[illegible]

THREE MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Mar	91.66	91.68	91.64	91.64
Jun	91.61	91.62	91.58	91.56
Sep	91.54	91.55	91.52	91.49
Dec	91.32	91.35	91.32	91.29
Mar	91.27			91.27
Jun	91.22			91.24
Sep	91.19			91.24
Dec	91.13			91.18

Est. Vol. (inc. figs. not shown) 8967 (27274)
Previous day's open int. 37522 (32963)

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6582	0.6592	0.6544	0.6553
Jun	0.6563	0.6567	0.6528	0.6538
Sep	-	-	-	0.6531
Dec	-	-	-	0.6525

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Mar	91.65	91.68	91.65	91.59
Jun	91.59	91.63	91.58	91.52
Sep	91.53	91.55	91.52	91.44
Dec	91.33	91.35	91.31	91.23
Mar	91.29	91.30	91.28	91.20
Jun	91.24	91.26	91.23	91.16
Sep	91.23	91.24	91.22	91.15
Dec	91.18	91.19	91.16	91.10

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Mar	342.35	342.75	342.00	340.85
Jun	346.50	346.90	346.30	345.05
Sep	-	350.50	-	348.95

LONDON TRADED OPTIONS

ANOTHER SESSION on the stock market involving low turnover combined with several shifts in direction throughout the day left investors hesitant to use traded options. Business was largely confined to technical dealing in January stock options, which expire on Wednesday.

During the morning, the FT-SE 100 index option was active, as traders positioned themselves for the release of key UK economic data. In spite of a smaller-than-expected increase in inflation, the equity market focused on the growth in the money supply, and promptly marked prices lower.

The FT-SE options were thinly dealt as the cash market fell, but once it had regained its composure, a brisk two-way market developed. Dealers noted profit-taking on FT-SE puts, but the sellers were met by investors keen to buy puts for protections.

The market's underlying decline prompted some institutions to use the defensive strategy of selling call options against stock. And before the close, private clients entered the market buying stock option calls in small sizes as Wall Street rallied.

In contrast, the futures market was again actively traded, with a second day's heavy selling depressing prices. The March FT-SE index closed at 15 point premium to cash, against 18 on Thursday. Many futures and options traders said the view of the financial markets had become so bearish that the market looked ripe for a recovery.

Total options turnover amounted to 31,372 contracts, compared with 36,673 on Thursday. Yesterday's total was divided between 21,589 calls and 15,084 puts. Despite the lower volumes recorded this week, the number of contracts outstanding continued to rise. Open interest, at the close of business on Thurday, amounted to 889,842 contracts, against 878,720 on Wednesday.

The FT-SE contract commanded the most attention, turning over 13,330 lots, nearly twice Thursday's volume. Among the stock options BP was the busiest, with 1,752 contracts changing hands, as investors switched out of January into April. ICI traded 1,507 lots.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*503)	500	10	40	49	8	22	28
	550	1	16	26	49	53	55
	600	1	7	-	99	100	-
ASDA (*112)	110	5	13	17	3½	8½	10
	120	2	8	14	9	14	16
Brit. Airways (*207)	200	8	21	25	1½	8	12
	220	1½	12	15	14	19	22
	240	½	5	9	34	34	36

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*362)	360	-	32	43	-	20	28
	377	3	-	-	19	-	-
Utd. Biscuits (*341)	330	14	28	38	2	12	15
	360	2	13	21	22	28	30
Unilever (*676)	650	28	52½	72½	2	14¼	19
	700	2	24	43½	27	37¾	41¼
Ultramar (*358)	330	29	45	55	1	8	12
	360	6	25	38	8	20	25

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Thames Water (*154)	140	15	19	24	1	1½	6
	160	1	6½	12	7½	12	13
	180	1	2	6	27	27	27
Water Hldg Pkg (*£1580)	1550	50	100	145	25	50	60
	1600	20	80	120	60	70	80
	1650	10	55	90	80	90	100

[illegible]

FT-SE INDEX (*2352)

[illegible]

January 19 Total Contracts 31,372

LONDON MARKETS

LONDON RECENT ISSUES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
240	100	-	182	100	Northumbrian Water	176	+3	R16.1	3.6	6.8	4.4
55	F.P.	-	72	55	*Oxford Virology 5p	65		-	-	-	-
†	F.P.	-	11	11	*Polysource Hldgs. 5p	11		-	-	-	-
10	F.P.	-	12	10	Prospect Inds 5p	11½		L0.3	2.8	3.5	8.5
240	100	-	157½	100	Severn Trent	141½	-½	R14.85	3.0	7.0	4.3
§25	F.P.	-	40	25	‡Storm Group 1p	37		-	-	-	59.7
†	F.P.	-	16½	12½	‡Surrey Group 5p	14½		P0.23	3.3	2.1	13.6
†	F.P.	-	195	195	Sutton Dist. Water A 1p	195		-	-	-	-
†	F.P.	-	130	130	Do B 1p	130		-	-	-	-
-	F.P.	-	43	36	TR High Inc. Sub. 0.01p	43		-	-	-	-
240	100	-	169	100	Thames Water	154½	-½	R14.58	2.4	6.6	7.1
£2400	£1000	-	£1670	£1000	Water Package Units	£1583	+3	-	-	-	-
240	100	-	169	100	Welsh Water	167	+3	R16.75	2.9	7.3	5.2
240	100	-	182	100	Wessex Water	164	+2	R15.21	2.6	6.7	6.3
240	100	-	186	100	Yorkshire Water	170	+6½	R15.42	2.4	6.6	6.9

LEGAL NOTICES

No: 008047 of 1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF UNISTRUT EUROPE PLC
- and -
IN THE MATTER OF
THE *COMPANIES ACT 1985*

NOTICE IS HEREBY GIVEN that a Petition was on the 13th day of December 1989 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Warner at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 29th day of January 1990.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the said cancellation of the *Share Premium Account should appear at* the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 20th day of January 1990

Lovell White Durrant of 73 Cheapside London EC2V 6ER Ref: F1/ACC/DCM

Solicitors for the above-named Company

WORLD STOCK MARKETS

US MARKETS (3pm)

INDICES

NEW YORK

DOW JONES	Jan 18	Jan 17	Jan 16	Jan 15	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2666.38	2659.13	2692.62	2669.37	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.08	92.34	92.49	92.63	94.15 (2/8/89)	87.36 (23/3/89)	—	—
Transport	1142.43	1146.87	1156.47	1135.14	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.15	221.39	221.52	220.13	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 2678.11 (2711.39) Low 2625.85 (2643.77)

STANDARD AND POOR'S	Jan 18	Jan 17	Jan 16	Jan 15	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	338.19	337.4	340.75	337.00	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	388.82	387.99	391.83	387.45	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	29.58	29.59	29.88	29.68	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.07	186.86	188.37	186.71	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	366.17	368.06	368.41	368.58	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	437.52	438.68	440.16	436.64	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 12	Jan 5	Dec 29	year ago (approx.)
Dow Industrial Div. Yield	3.96	3.84	3.87	3.60

	Jan 17	Jan 10	Jan 3	year ago (approx.)
S & P Industrial div. yield	3.03	2.94	2.86	3.21
S & P Indl. P/E ratio	14.39	14.80	15.19	13.23

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Harcourt Brace	4,877,200	2⅞	− ⅛
Citicorp	3,709,100	26½	+ ⅛
Bank of N. Eng.	3,251,500	4¼	− 1⅜
Am T & T	2,640,100	42⅛	− ⅛
Philip Morris	2,367,400	39⅞	+ ⅞
Cons. Rail	1,962,500	47⅛	+ 1
Digital Equip	1,939,300	82	− 5⅞
Alcoa	1,766,100	66½	− ⅞
Aristech Chem	1,747,660	25¼	+ ¼
Vanity Corp	1,734,400	3⅛	+ ⅛

TRADING ACTIVITY

† Volume Millions	Jan 18	Jan 17	Jan 16
New York	178.590	170.470	186.070
Amex	10.6685	11.788	14.036
NASDAQ	136.325	139.152	147.594
Issues Traded	1,967	1,964	1,988
Rises	587	633	811
Falls	879	867	723
Unchanged	501	464	454
New Highs	14	14	8
New Lows	81	45	86

CANADA

TORONTO	Jan 18	Jan 17	Jan 16	Jan 15	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3143.11	3137.04	3220.74	3242.03	3919.2 (1/9/89)	3137.0 (17/1/89)
Composite	3857.39	3872.27	3899.98	3894.01	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1958.21	1959.90	1974.08	1963.27	2069.68(10/10/89)	1677.48 (3/1/89)

Base values of all Indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1673.9	1677.5	1682.8	1675.4	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	842.2	848.9	857.0	852.6	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	555.97	555.47	560.35	551.02	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6449.04	6456.85	6490.45	6489.81	6805.28 (26/9/89)	5619.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	369.38	374.24	374.09	369.19	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	640.0	632.5	625.5	627.3	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	536.1	535.5	533.5	534.9	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1924.27	1934.72	1953.14	1935.21	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	743.78	744.13	757.82	755.56	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2188.6	2186.8	2232.3	2227.5	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1773.56	1779.17	1802.48	1788.68	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2776.29	2771.67	2754.84	2751.79	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1881.16	1855.89	1859.02	1839.22	1881.16 (19/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	697.38	696.37	695.88	695.66	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	36836.54	36729.46	36821.14	36850.36	38915.87(29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2701.31	2705.41	2719.48	2723.88	2884.80(18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4065.23	4078.19	4081.93	4000.92	4081.93(17/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	574.72	574.09	574.32	567.34	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS TU.Rtn.Gen.(End 1983)	252.7	250.2	252.3	250.6	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.8	191.9	193.5	192.2	218.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	743.72	757.30	735.85	726.80	751.87 (11/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1080.35	1059.25	1057.76	1056.12	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	421.89	422.78	422.57	418.24	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2080.04	2161.0	2184.0	2230.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2945.04	2989.0	2996.0	3017.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	686.2	874.81	874.41	883.43	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	286.13	286.49	288.03	287.29	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	4380.4	4464.4	4494.3	4416.4	4660.3 (16/8/89)	3233.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	763.4	759.6	(u)	763.3	829.1 (6/9/89)	615.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11422.51	11153.05	10835.67	10904.90	11422.51 (19/1/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	868.67	862.97	864.96	877.68	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M S Capital Intl (1/1/70)	(u)	539.7	543.6	544.9	571.8 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 13: Taiwan Weighted Price: 10559.20 Korea Comp Ex. 693.47

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX − 1,000, JSE Gold − 255.7, JSE Industrials − 264.3 and Australia All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

A copy of this document, which comprises listing particulars in relation to BZW Convertible Investment Trust PLC (the "Company") given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in accordance with Section 149 of that Act.

Application has been made to the Council of The Stock Exchange for all the Ordinary Shares of the Company issued, and now being issued, to be admitted to the Official List. It is expected that dealings in the Ordinary Shares will commence on Thursday, 8th February, 1990.

The Directors of the Company (the "Directors"), whose names appear under "Directors, Manager and Advisers", accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

BZW CONVERTIBLE INVESTMENT TRUST PLC

(Incorporated in England and Wales under the Companies Act 1985. Registered No. 2409732)

Offer for Subscription
by
Barclays de Zoete Wedd Limited
of
50,000,000 Ordinary Shares of 10p each
at 100p per share
payable in full on application

The Offer has been fully underwritten by Barclays de Zoete Wedd Limited. 12,500,000 Ordinary Shares are available for subscription for by the public. The Directors intend to satisfy sub-underwriters' applications for a minimum of 75 per cent. of their sub-underwriting commitments to the extent that such applications are received.

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£5,050,000	in Ordinary Shares of 10p each	£5,050,000

INDEBTEDNESS

Simultaneously with this Offer, £20 million of Equities Index Unsecured Loan Stock 1996-2002 is being placed. Summary details of the Equities Index Unsecured Loan Stock 1996-2002 are contained in Part IV of this document.

Save as referred to above, as at the date of this document, the Company has no loan capital (including term loans) outstanding, or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The application list for the Ordinary Shares now being offered for subscription will open at 10.00 a.m. on Tuesday, 30th January, 1990 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document. No Equities Index Unsecured Loan Stock 1996-2002 is available for subscription pursuant to the Offer.

PROPOSED TIMETABLE

Latest time and date for receipt of applications	10.00 a.m. on Tuesday, 30th January, 1990
Basis of allocation to be announced by	10.00 a.m. on Wednesday, 31st January, 1990
Renounceable letters of allotment to be despatched on	Wednesday, 7th February, 1990
Dealings in the Ordinary Shares to commence at	9.00 a.m. on Thursday, 8th February, 1990
Latest time and date for splitting renounceable letters of allotment	3.00 p.m. on Wednesday, 7th March, 1990
Latest time and date for registration of renunciation	3.00 p.m. on Friday, 9th March, 1990
Despatch of Ordinary Share certificates	Friday, 6th April, 1990

SUMMARY

The information set out below should be read in conjunction with the full text of this document, from which it is extracted.

- BZW Convertible Investment Trust PLC is a new investment trust which will invest predominantly in the UK convertible market.
- The dramatic expansion of the UK convertible market in terms of the size and number of new issues over recent years, has led the Directors to believe that there is an opportunity to form a portfolio combining a high and secure initial income with the prospect of capital growth and a rising income over time.
- The projected gross dividend yield will be approximately 10 per cent.* at the Offer Price of 100p. This yield and the prospect of capital growth are, in the opinion of the Directors, the key attractions of the Company.
- The capital structure has been enhanced by the introduction of Index Loan Stock.
- BZW Investment Management will be the investment manager. With £18 billion under management, it is one of the largest and most respected companies in the UK investment management sector.

OFFER STATISTICS

Number of Ordinary Shares in issue following the Offer	50,500,000
Offer Price per Ordinary Share	100p
Estimated net asset value per Ordinary Share	96.1p
Approximate projected gross dividend yield at the Offer Price*	10%

*for the 12 months ending 31st January, 1991.

INVESTMENT TRUST STATUS

The Directors intend that the Company will be an investment company within the meaning of Section 266 of the Companies Act 1985 and that its affairs will be conducted in such a manner as to satisfy the requirements of The Stock Exchange for an investment trust and the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. The Company will be exempt from UK corporation tax on capital gains in respect of each accounting period for which such approval is granted.

DIVIDEND POLICY AND ACCOUNTS

It is expected that dividends will be paid quarterly to Ordinary Shareholders with the first dividend being paid on or about 12th October, 1990 in respect of the period to 31st July, 1990. Thereafter it is anticipated that dividends will be paid quarterly in January, April, July and October each year until the Company is wound up. The income of the Company will be derived wholly or mainly from shares or other securities. It is the Directors' intention that not more than 15 per cent. of the income derived from shares and securities will be retained by the Company.

The accounts of the Company will be made up to 31st July in each year. The Company's first accounting period will end on 31st July, 1990.

DEFINITIONS

In this document the following words and expressions shall bear the following meanings except where the context otherwise requires:

"Company"	BZW Convertible Investment Trust PLC
"Directors" or "Board"	Directors of the Company
"BZW Investment Management"	Barclays de Zoete Wedd Investment Management Limited
"BZW"	Barclays de Zoete Wedd Limited
"Application Form"	application form in respect of the Offer attached hereto
"IMRO"	Investment Management Regulatory Organisation Limited
"Index"	FT-Actuaries All-Share Index
"Index Loan Stock"	Equities Index Unsecured Loan Stock 1996-2002 of the Company as more fully described in Part IV of this document
"Offer"	offer for subscription of Ordinary Shares contained in this document
"Offer Price"	100p per Ordinary Share
"Ordinary Shares"	ordinary shares of 10p each in the Company
"Ordinary Shareholders"	holders of Ordinary Shares
"Personal Equity Plan"	a plan as defined in the Personal Equity Plan Regulations 1989
"Placing"	placing of £20 million of Index Loan Stock simultaneously with the Offer
"Stockholders"	holders of the Index Loan Stock
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited

DIRECTORS, MANAGER AND ADVISERS

Directors (non executive)
Philip Birch (Chairman)
David Alfred Acland
Barry John Southcott
Philip Richard Withers Green
all of Ebbgate House, 2 Swan Lane, London EC4R 3TS

Registered Office
Ebbgate House
2 Swan Lane
London EC4R 3TS

Secretary
Ivory & Sime plc
One Charlotte Square
Edinburgh EH2 4DZ

Investment Manager
Barclays de Zoete Wedd Investment Management Limited
Seal House
1 Swan Lane
London EC4R 3UD

Financial Adviser and Sponsor
Barclays de Zoete Wedd Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

Stockbrokers
de Zoete & Bevan Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

Solicitors to the Company
Dickson Minto W.S.
11 Walker Street
Edinburgh EH3 7NE

Solicitors to the Issue
Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

Reporting Accountants & Auditors
Arthur Andersen & Co.
Chartered Accountants
1 Surrey Street
London WC2R 2PS

Registrars and Transfer Agents
Barclays Bank PLC
Registration and New Issues
PO Box 34
Octagon House
Gadbrook Park
Northwich
Cheshire CW9 7RD

DIRECTORS

Philip Birch, aged 57, is Chairman and Managing Director of Ward White Group. He became Managing Director of John White Footwear in 1969 prior to the creation of Ward White Group in 1972. He was a director of Cowan de Groot for three years to October 1987.

David Acland, aged 60, is Chairman of BZW Investment Management, a position he previously held at Barclays Investment Management. Following a successful career in industry, where he was Finance Director and subsequently Chief Executive at W. H. Smith & Son, he joined the Financial Services Division of Barclays Bank. He was Chairman of Barclays Unicorn Group and currently holds other directorships within the Barclays Group. He is also Chairman of Electric and General Investment Company and a Director of Kleinwort Overseas Investment Trust.

Barry Southcott, aged 39, is Managing Director of the Marketable Securities Division of CIN Management, the investment manager for the British Coal Pension Funds. He joined CIN in 1975 and prior to that was an investment analyst with Phillips & Drew. He is also a Director of British Investment Trust and Edinburgh Fund Managers.

Dick Withers Green, aged 47, has overall responsibility for BZW Investment Management's day to day investment operations. In 1970 he became a partner of de Zoete & Bevan operating within the pension fund department. For the ten years prior to the formation, in 1986 of BZW Investment Management, he was responsible for the co-ordination of the day to day investment policy.

PART I

INTRODUCTION

BZW Convertible Investment Trust PLC is a new investment trust which will invest predominantly in the UK convertible market. The Company will be wound up in 1996 unless the shareholders elect to extend its life. The Directors aim to achieve a balance of a high level of initial income, increasing over time, and capital growth by investing in companies with growth potential. The projected initial gross dividend yield is approximately 10 per cent. per annum at the Offer Price.

Simultaneously with the issue of Ordinary Shares, the Company is issuing £20 million of Index Loan Stock. The Directors believe that this is a particularly attractive form of gearing which will enhance the income return to Ordinary Shareholders. This is explained in greater detail in the section headed "Capital Structure" below.

INVESTMENT MANAGER

The Company will be managed by BZW Investment Management, which is a member of IMRO. BZW Investment Management is the investment management company operating within the BZW Group, the investment banking arm of Barclays PLC.

The BZW Group came into being in 1986, from the union of stockbrokers de Zoete & Bevan and stockjobbers Wedd Durlacher Mordaunt & Co. with Barclays Merchant Bank Limited and Barclays Investment Management Limited. At this time Barclays Investment Management Limited was merged with de Zoete & Bevan's pension fund management department, combining over £8 billion funds under management with 30 years' investment experience, to form BZW Investment Management. Through the development of sophisticated software, BZW Investment Management has become one of the UK leaders in the application of quantitative investment techniques. These will be used to aid the management of risk within the Company's portfolio. The success of the merger has been borne out by the dramatic growth in funds under management to £18 billion, including over £3.5 billion of unit trusts, thus making BZW Investment Management one of the largest and most respected companies in the UK investment management sector.

INVESTMENT BACKGROUND

Convertible preference shares and loan stocks are derivatives of fixed interest securities and equity shares and combine some of the features of each.

Convertible securities offer a fixed yield which is often considerably higher than the yield on the underlying ordinary shares. They normally give an investor the right to convert into ordinary shares at a fixed price over a number of years. The effect of this is that in general if the price of the ordinary share rises, the price of the convertible security also increases thereby enabling holders of such securities to participate in the growth of the company.

In addition, most convertible securities offer a fixed date or spread of dates on which they must be repaid at a fixed price if they have not previously been converted. This together with the high yields available from convertible securities generally ensures that they maintain their value better than ordinary shares if the ordinary share price declines.

It is possible, by combining a warrant with a fixed interest security, to construct a synthetic convertible security whereby the proceeds of redemption or sale of the fixed interest security could be applied to exercise the warrant. Such a combination has the characteristics of a convertible security and will broaden the investment opportunities available to the Company.

The capitalisation of UK sterling convertible securities in the domestic and eurobond markets at 29th December, 1989 was approximately £16 billion and comprised around 330 securities. These markets have expanded considerably in recent years with stocks issued during 1988 and 1989 valued at a total of approximately £7 billion.

New Issues of UK Sterling Convertible Securities

	No.	Capitalisation* £m
1985	34	1,144
1986	51	3,141
1987	72	4,456
1988	93	4,137
1989	49	2,823

Source: Barclays de Zoete Wedd Securities Limited
*at their respective issue prices.

The Directors believe that the recent expansion of the UK convertible market will continue into the future and that there is an opportunity to form a well balanced portfolio combining high and secure initial income, which is only slightly less than that obtainable on long dated British Government Securities, with the prospect of capital growth and a rising income over time.

INVESTMENT POLICY

The investment policy of the Company will be to invest in a quality portfolio predominantly comprising sterling-denominated convertible preference shares, loan stocks and eurobonds of United Kingdom companies whose ordinary shares are listed on The Stock Exchange. It is the Directors' intention that, should opportunities arise, up to 20 per cent. of the Company's portfolio might be invested in similar instruments of an international nature.

The Company may invest in equities and in synthetic convertible securities, and engage in transactions in options, futures and other derivatives, where appropriate.

The objectives of the Company will be to:

- **Achieve a high level of income for Ordinary Shareholders, increasing over time**
- **Provide capital growth**

Since the portfolio will initially consist almost entirely of convertible securities with a fixed income, the dividend on the Ordinary Shares is unlikely to increase in the early years of the Company. Dividends should, however, grow as the Company's holdings of convertible securities are either converted into ordinary shares or are re-invested into higher yielding convertible securities.

There are restrictions on the investment policy in accordance with the requirements of The Stock Exchange as set out in paragraph 8 of Part V of this document.

PERSONAL EQUITY PLANS

Private investors are able to renounce Ordinary Shares acquired pursuant to the Offer into a Personal Equity Plan. Applications for Ordinary Shares to be transferred into a Personal Equity Plan must be in the name of the beneficial owner and such Ordinary Shares acquired pursuant to the Offer must be renounced into a Personal Equity Plan within a period of 30 days after the basis of allocation is announced, which is expected to occur on 31st January, 1990.

The value of Ordinary Shares applied for pursuant to the Offer which may be transferred into a Personal Equity Plan by a private investor within the permitted timescale will depend upon individual circumstances but in no case will exceed £2,400. In the case of a married couple, each spouse is treated separately, so that a couple can invest between them a maximum of £4,800 in Personal Equity Plans.

Private investors intending to renounce Ordinary Shares into a Personal Equity Plan should obtain advice from their personal financial advisers.

DURATION OF THE COMPANY

The Articles of Association provide that the Directors are obliged to convene an Extraordinary General Meeting of the Company to be held on 30th July, 1996 at which an ordinary resolution will be proposed providing for the Company to be wound up ("liquidation resolution"). Shareholders are obliged to vote in favour of such a liquidation resolution.

The Directors may be released from their obligation to propose a liquidation resolution by an ordinary resolution passed at the Annual General Meeting in respect of the financial period ending 31st July, 1995, at which shareholders may vote as they wish. If the Company is not wound up in 1996, the Directors are obliged to convene an Extraordinary General Meeting in 1998 and in each successive second year thereafter and thereat to propose a liquidation resolution unless released from their obligation at the preceding Annual General Meeting.

If the Directors are not released from their obligation to propose a liquidation resolution, it is the Directors' intention that measures would be considered to provide shareholders with the opportunity to transfer their investment into an alternative investment vehicle.

CAPITAL STRUCTURE

Simultaneously with the issue of the Ordinary Shares, BZW will place on behalf of the Company £20 million of Index Loan Stock. Interest on the Index Loan Stock will be paid quarterly and will be calculated by reference to the gross dividend yield on the FT-Actuaries All-Share Index, which at 5th January, 1990 was 4.2 per cent. On redemption, holders of the Index Loan Stock will receive a premium or be subject to a discount to the issue price which will reflect the movement of the Index over the life of the Index Loan Stock.

Therefore, by way of example, if at redemption the Index had increased by 50 per cent. from the date of issue, the Company would be required to pay to the Stockholders £30 million, a premium of £10 million over the issue price. Conversely if at redemption the Index had fallen by 50 per cent. from the date of issue, the Company would be required to pay to the Stockholders £10 million, a discount of £10 million to the issue price.

The Directors believe that the Index Loan Stock represents an attractive form of gearing for the Company since the expected yield on the Company's investments should exceed the yield on the Index, without the risk to shareholders' funds being significantly increased. The Directors believe that the increase in liability in respect of the Index Loan Stock which would result from an increase in the Index should be protected by the increase in value of the portfolio.

The Company may hedge the exposure to the Index Loan Stock by the use of equities or derivatives if it is deemed appropriate.

On the basis of a notional portfolio of convertible securities as at the close of business on 5th January, 1990 being the latest practicable date before the printing of this document the effect of the Index Loan Stock is to increase the projected gross earnings yield at the Offer Price from 8.2 per cent. to 10.0 per cent. as illustrated in the table below. The table is a pro forma and is for illustrative purposes only.

Pro forma Revenue Account

	Ungeared £m	*Geared £m*
Income		
On net proceeds of the Offer	4.82	4.82
On net proceeds of the Placing	—	1.91
Total income	4.82	6.73
Interest on Index Loan Stock	—	(0.89)
Income after interest	4.82	5.84
Estimated tax and expenses	(1.70)	(2.05)
	3.12	3.79
Approximate projected gross earnings yield at the Offer Price	8.2%	10.0%

Notes:

1. The notional portfolio of convertible securities is a representative portfolio of convertible securities in which the Company may invest.
2. Income has been calculated on the basis of gross annual income earned on a notional portfolio of convertible securities at close of business on 5th January, 1990 of 9.87 per cent.
3. Gross interest on the Index Loan Stock assumes that it was issued at a price based on the Index as at close of business on 5th January, 1990 and also that the growth in dividends of the companies comprising the Index will be 7 per cent. per annum.
4. Approximate projected gross earnings yield is for the 12 months ending 31st January, 1991.

RISK FACTORS

Shareholders should be aware that a portfolio of convertible securities carries risks similar to those inherent in an investment in a portfolio of equities, although the fixed yield of convertible securities and their priority over equities for distribution or on a winding up serve to reduce these risks.

For Ordinary Shareholders the effects of the gearing of the capital structure by the Index Loan Stock will be very different from those associated with traditional forms of gearing which have fixed capital entitlements. Through the Company's capital structure, Ordinary Shareholders' interests are geared to the performance of the Company's assets and income relative to the Index. Ordinary Shareholders will benefit from any outperformance, but conversely will suffer from any underperformance.

MANAGEMENT AND SECRETARIAL AGREEMENTS

Under these agreements BZW Investment Management and Ivory & Sime plc will receive in aggregate fees of three quarters of one per cent. per annum (exclusive of VAT) payable quarterly in arrears and calculated by reference to the total assets less current liabilities of the Company as described more fully in paragraph 6 of Part V of this document.

PLACING OF INDEX LOAN STOCK

Simultaneously with the Offer, £20 million of Index Loan Stock is being placed by BZW. The Placing has been fully underwritten by BZW. There is no facility under the Offer for investors to subscribe for Index Loan Stock. Application has been made for the Index Loan Stock to be admitted to the Official List of The Stock Exchange and it is expected that dealings in the Index Loan Stock will commence at 9.00 a.m. on Thursday, 8th February, 1990.

A summary of the rights attaching to the Index Loan Stock is set out in Part IV of this document.

PART II

OFFER FOR SUBSCRIPTION

BZW, on behalf of the Company, is offering for subscription 50,000,000 Ordinary Shares. The Offer has been fully underwritten by BZW. 12,500,000 Ordinary Shares are available for subscription by the public. The Directors intend to satisfy sub-underwriters' applications for a minimum of 75 per cent. of their sub-underwriting commitments to the extent that such applications are received.

Application has been made for the Ordinary Shares being offered for subscription to be admitted to the Official List of The Stock Exchange. The Ordinary Shares will rank for all dividends and other distributions declared, paid or made on the ordinary share capital after the date of this document. Full details of the Ordinary Shares are set out in Part V of this document.

APPLICATION AND DEALINGS

The procedure for application and an Application Form can be found at the end of this document. Applications must be for a minimum of 100 Ordinary Shares and must be received by post or by hand at Barclays Bank PLC, New Issues, P.O. Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD, by not later than 10.00 a.m. on Tuesday, 30th January, 1990.

It is expected that the basis of allocation will be announced by 10.00 a.m. on Wednesday, 31st January, 1990 and that fully paid renounceable letters of allotment in respect of the Ordinary Shares and/or returned cheques will be posted on Wednesday, 7th February, 1990 and that dealings in the Ordinary Shares will commence at 9.00 a.m. on Thursday, 8th February, 1990. Dealings prior to the receipt of letters of allotment will be at the risk of the applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. Letters of allotment in respect of the Ordinary Shares now being offered for subscription will be renounceable until 3.00 p.m. on Friday, 9th March, 1990. In the case of renunciation, the letter of allotment (duly completed in accordance with the instructions contained therein) must be lodged with Barclays Bank PLC, New Issues, P.O. Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD, by 3.00 p.m. on Friday, 9th March, 1990.

After Friday, 9th March, 1990 and pending the despatch of definitive certificates transfers of Ordinary Shares will be certified by the registrars against delivery of the relevant letters of allotment.

Definitive certificates in respect of the Ordinary Shares are expected to be despatched by post not later than Friday, 6th April, 1990.

PART III

ACCOUNTANTS' REPORT

The following is the text of a letter received by the Directors and BZW from Arthur Andersen & Co., Chartered Accountants, the auditors of the Company:

ARTHUR ANDERSEN &CO.
1 Surrey Street
London WC2R 2PS

The Directors
BZW Convertible Investment Trust PLC
Ebbgate House
2 Swan Lane
London EC4R 3TS

and

The Directors
Barclays de Zoete Wedd Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

19th January, 1990

Gentlemen,

We report that BZW Convertible Investment Trust PLC (the "Company") was incorporated on 31st July, 1989 as DMWSL 048 PLC and that its name was changed to BZW Convertible Investment Trust PLC on 11th January, 1990.

The Company has not commenced to trade. A certificate under Section 117 of the Companies Act 1985, enabling the Company to commence to trade was issued on 11th January, 1990. No financial statements have been prepared in respect of any period since incorporation. No transactions have occurred since incorporation other than the allotment of Ordinary Shares disclosed under paragraph 2(e), and the entry into of the material contracts referred to in paragraph 6, of Part V of the listing particulars dated 19th January, 1990. No dividends have been declared or paid.

Yours truly,

Arthur Andersen & Co.
Chartered Accountants

PART IV

SUMMARY OF THE RIGHTS ATTACHING TO THE INDEX LOAN STOCK

1. General
The Index Loan Stock, which will be listed on The Stock Exchange, will provide over its life an investment return which matches the performance of the FT-Actuaries All-Share Index both in terms of income and capital.

The Index Loan Stock will be constituted by a trust deed (the "Trust Deed") to be entered into between the Company and The Law Debenture Trust Corporation p.l.c.

The dates as set out in paragraphs 2 and 3 below assume that the Index Loan Stock is admitted to the Official List on 8th February, 1990 as expected.

2. Capital Return
The nominal amount of one unit of Index Loan Stock is £0.05. The issue price per unit will be the amount expressed in pounds obtained by dividing the figure for the level of the Index for 6th February, 1990 (as published in the *Financial Times* on 7th February, 1990) by 1,000. Redemptions of units of Index Loan Stock will be at their Capital Value, being either the amount calculated by dividing the Index at the Redemption Date by 1,000, and expressing the result in pounds or, if higher, their £0.05 per unit nominal amount. Any premium (or discount) on redemption compared to the issue price will reflect the movement of the Index over the period to redemption.

3. Income Return
Interest will be related to the gross dividend yield on the Index and be paid quarterly. The first payment of interest will be made on 17th April, 1990 covering the period from 7th February, 1990 to 30th March, 1990 inclusive. If, on any day, the published gross dividend yield on the Index is 4.2 per cent., a person who had held Index Loan Stock for the whole of the preceding year would have been entitled to gross interest representing approximately 4.2 per cent. of the value of the Index on that day. By way of illustration, if the Index stood at 1200 on that day, a person who had held 1,000 units of Index Loan Stock throughout the preceding year would, in theory, have been entitled to gross interest of £50.40 (4.2 per cent. of £1,200) during that year. Owing to timing differences, however, the actual entitlement may be slightly different.

4. Redemption and Purchase
(a) The Index Loan Stock is to be redeemed by the Company in accordance with the following provisions:

(i) *Redemption on Liquidation*
On the liquidation of the Company, any part of the Index Loan Stock not previously repaid or purchased will be repaid in an amount equal to the Capital Value thereof at the date of commencement of the liquidation together with accrued interest to such date. The Articles of Association of the Company contain provisions (summarised in paragraph 3(k) in Part V of this document) under which the Company will go into liquidation in 1996, or in each successive second year thereafter, unless in each case the Ordinary Shareholders resolve by ordinary resolution at the immediately preceding Annual General Meeting of the Company to release the Directors from the obligation to convene the Extraordinary General Meeting at which the liquidation resolution would be proposed.

(ii) *Redemption on Final Redemption Date*
To the extent that the Index Loan Stock has not previously been redeemed the Company shall redeem the whole of the Index Loan Stock outstanding on the Settlement Date (as defined in the Trust Deed) following 30th June, 2002 which date of 30th June, 2002 shall be a Redemption Date, at the Capital Value (as described above) thereof on that Redemption Date together with interest accrued thereon to such Redemption Date.

(iii) *Stockholders' Option to Redeem*
Each Stockholder shall, subject to and upon the terms and conditions of the Trust Deed, have the right exercisable by three months' notice given to the Company to expire after 31st July, 1996 to require the Company to redeem the whole or any part of his Index Loan Stock (being integral multiples of one unit of Index Loan Stock) on the Settlement Date following the Redemption Date (such Redemption Date being the first date following the expiry of the said period of three months which is the last Dealing Day of any month) at the Capital Value thereof on that Redemption Date together with interest accrued on the Index Loan Stock to such Redemption Date.

(iv) *Company's Right to Redeem*
If the Company becomes within the charge to United Kingdom corporation or other tax on its chargeable or capital gains, or if there is any other change in United Kingdom taxation or the rate at which it is payable which would adversely affect the Company if the Index Loan Stock were not redeemed (of which the Directors shall be the sole judge) or if at any time after 30th September, 1996 the units of Index Loan Stock outstanding fall below 25 per cent. of the aggregate of the number of such units issued under the Placing and any further such units which may be created and issued, the Company may redeem on the Settlement Date following the Redemption Date (being such date as the Directors may determine in accordance with the Trust Deed) the whole, but not part only, of the Index Loan Stock at the Capital Value thereof on that Redemption Date together with interest accrued on the Index Loan Stock to such Redemption Date.

(v) *Take-Over Offer*
If any offer is made to all the holders of the ordinary shares of the Company to acquire the whole or any part of the ordinary shares of the Company and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or any person associated or acting in concert with the offeror, the Company shall within fourteen days of its becoming so aware give notice of the fact in writing (in a form previously approved by the trustees) to the Stockholders and shall redeem on the Settlement Date following the date falling forty days after the date of such notice, which fortieth day shall be a Redemption Date, the whole, but not part only of the Index Loan Stock at the Capital Value thereof on that Redemption Date together with interest accrued on the Index Loan Stock to such Redemption Date. For this purpose, the proposing of a scheme of arrangement under any statute for the time being applicable to companies providing for the acquisition by or vesting in any person of the whole or any part of the ordinary shares of the Company shall be deemed to be the making of an offer.

(vi) *Redemption in Other Circumstances*.
The Trust Deed also contains provisions for the Index Loan Stock to be redeemed if the Index is discontinued and no Comparable Index (as defined in the Trust Deed) has been adopted in its place and either no meeting of Stockholders is convened for the purpose of approving a substitute index, or such a meeting is convened but no substitute index is approved, or upon the happening of an event of default under the Trust Deed, in each case at the Capital Value on the relevant Redemption Date together with interest accrued to that date.

(b) The Company will be entitled at any time to purchase Index Loan Stock (i) by tender (available alike to all Stockholders) or by private treaty at a price (inclusive of the net amount of accrued interest but exclusive of the expenses of purchase) not exceeding an amount equal to the average of the Relative Prices during the period of ten dealing days ("the Relevant Period") immediately prior to the date of such tender or purchase multiplied by the Capital Value for the last day of the Relevant Period or (ii) through the market at the market price, provided that such market price does not exceed five per cent. above the amount equal to the average of the Relative Prices during the Relevant Period multipled by the Capital Value for the last day of the Relevant Period or (iii) from a subsidiary at any price, but not otherwise. For this purpose, the Relative Price for any dealing day is the middle market quotation for the Index Loan Stock for that day (as derived from The Stock Exchange Daily Official List) divided by the Capital Value for that day.

5. Borrowing Limits and Other Restrictions
(a) Except with the prior sanction of an extraordinary resolution, the Company will procure that so long as any part of the Index Loan Stock remains outstanding, the aggregate amount of all moneys borrowed by the Company and its subsidiaries ("the Group") (exclusive of borrowings by one member of the Group from another) together with any fixed or minimum premium payable on final redemption or repayment thereof (or in the case of an index-linked stock or other index-linked obligation, the highest amount that would be repayable thereon under the provisions of the instrument constituting such stock or obligation if such stock or obligation were to be redeemed on the date on which the calculation falls to be made) shall not at the time of borrowing exceed (i) £62.5 million until the date of publication of the first audited balance sheet of the Company and (ii) thereafter a sum equal to 1.25 times the Adjusted Total of Capital and Reserves. For this purpose the expressions "moneys borrowed" and "Adjusted Total of Capital and Reserves" have the same meanings as they do for the purpose of the borrowing limits contained in the Articles of Association as described in paragraph 3(f) of Part V of this document.

(b) So long as any part of the Index Loan Stock remains outstanding, the Company will not (whether by the acquisition of subsidiaries or otherwise) take any action whereby the general nature of the business of the Company and its subsidiaries as a whole shall to a substantial extent be carried on other than as investment companies directly deriving their income mainly from shares and securities, provided that the extension of such business to include activities allied to that of an investment company or the ownership of an investment dealing company shall not be treated as a breach of this provision.

PART V

GENERAL INFORMATION

1. The Company

The Company was incorporated in England and Wales on 31st July, 1989 as a public limited company under the Companies Act 1985 ("the Act"), under the name of DMWSL 048 PLC with registered number 2409732. The name of the Company was changed to BZW Convertible Investment Trust PLC on 11th January, 1990. Since incorporation the Company has not carried on business or incurred borrowings. The Company has received a certificate, issued on 11th January, 1990 by the Registrar of Companies under Section 117 of the Act, enabling it to commence business.

2. Share Capital

(a) The authorised share capital of the Company upon incorporation was £50,000 divided into 50,000 ordinary shares of £1 each of which two shares were issued, nil paid, to the subscribers of the Memorandum of Association.

(b) The Articles of Association of the Company adopted upon incorporation of the Company provided that the Directors were, pursuant to Section 80 of the Act, given authority (expiring on 30th June, 1994), to allot and to make offers or agreements to allot relevant securities (as defined in Section 80(2) of the Act) up to the amount of the then authorised unissued share capital of the Company.

(c) On 27th December, 1989 the two ordinary shares of £1 each issued, nil paid, to the subscribers of the Memorandum of Association were transferred to BZW and Barsec Nominees Limited ("the transferees") and paid up in full together with a premium of £9 per share.

(d) Pursuant to an ordinary resolution passed on 27th December, 1989 each of the issued and unissued ordinary shares of £1 each of the Company was sub-divided into 10 Ordinary Shares.

(e) On 9th January, 1990 BZW was allotted 499,980 Ordinary Shares against its irrevocable undertaking to pay 100p in cash for each Ordinary Share on or before the date on which the Ordinary Shares are admitted to the Official List of The Stock Exchange, unless the admission of the Ordinary Shares to The Stock Exchange does not become effective by 15th February, 1990 whereupon BZW shall pay 10p in cash for each Ordinary Share on or before 31st May, 1990.

(f) Pursuant to a special resolution passed on 17th January, 1990:

(i) the authorised share capital of the Company was increased from £50,000 to £5,050,000 by the creation of 50,000,000 additional Ordinary Shares;

(ii) the Directors were generally and unconditionally authorised in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of 50,000,000 such authority to expire on 11th January, 1995 so that such authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and all previous authorities granted to the Directors to allot relevant securities were thereby revoked;

(iii) the Directors were empowered until 11th January, 1991 to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority referred to in paragraph (ii) above as if Section 89(1) of the Act did not apply to any such allotment of equity securities provided that such power is limited to the allotment of Ordinary Shares in connection with the Offer; and

(iv) the objects clause in the Memorandum of Association was altered and new Articles of Association were adopted.

(g) Following the Offer, the authorised and issued share capital of the Company will be £5,050,000 divided into 50,500,000 Ordinary Shares.

(h) Save for the placing and as disclosed in this paragraph 2, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.

(i) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

(j) All the Ordinary Shares will be in registered form.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of an investment trust company in all its branches. The objects of the Company are set out fully in Clause IV (1) of the Memorandum of Association, which is available for inspection at the address specified in paragraph 10 below.

The Articles of Association ("the Articles") which have been adopted as mentioned in paragraph 2(f)(iv) above contain provisions *inter alia* to the following effect:

(a) *Voting Rights*

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles of Association, on a show of hands every member holding Ordinary Shares of the Company who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and on a poll every member present as aforesaid or by proxy shall have one vote for every Ordinary Share held by him.

No member shall be entitled to vote at any general meeting if any call or other sum immediately payable by him in respect of shares in the Company remains unpaid or if a member has been served by the Directors with a Direction Notice in the manner described in the paragraph headed "Restrictions on Shares" below.

(b) *Restrictions on Shares*

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice ("Statutory Notice") pursuant to Section 212 of the Act and is in default in supplying to the Company information thereby required within a prescribed period after the service of such notice the Directors may serve on such member or on any such person a notice (a "Direction Notice") in respect of the shares in relation to which the default occurred ("default shares") directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company until the Statutory Notice has been complied with and for such period thereafter as is necessary for the Directors to ascertain that compliance has been effected and is complete in all respects. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the Direction Notice may in addition direct that until the Statutory Notice has been complied with and for such period thereafter as is necessary for the Directors to ascertain that compliance has been effected and is complete in all respects any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases. Any Direction Notice shall cease to have effect in relation to any shares which are transferred by means of an approved transfer (as defined in the Articles).

(c) *Variation of Class Rights and Alteration of Capital*

(i) Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be modified, abrogated or varied either with the consent in writing of the holders of three-fourths of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of Sections 369, 370, 376 and 377 of the Act and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

(ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.

(iii) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

(iv) Subject to the provisions of the Act and of the Articles, all unissued shares of the Company are at the disposal of the Directors.

(v) Subject to the provisions of the Act, any shares may be issued on terms that they are, or at the option of the Company or the shareholders are liable to be redeemed on the terms and in the manner provided for by the Articles.

(vi) The Company may purchase its own shares (including any redeemable shares) provided that the Company shall not purchase its own shares if there are outstanding any convertible shares which remain capable of being converted, unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of each class of such convertible shares.

(d) *Transfer of Shares*

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The Directors may likewise refuse to register a transfer in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer unless it is left at the registered office to be registered, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days in any year).

(e) *Directors*

(i) The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Act or by the Articles, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Articles and of the Act, and to such directions, being not inconsistent with any provisions of the Articles or of the Act, as may be given by the Company in general meeting.

(ii) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall, at a meeting of the Board, declare in accordance with the Act the nature of his interest and the interest of any person who is connected with him within the meaning of the Act.

(iii) No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a vendor, purchaser or otherwise. Subject to the provisions of the Act and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with sub-paragraph (ii) above.

(iv) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(dd) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of, or beneficially interested in, one per cent. or more of any class of the equity share capital (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances);

(ee) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which relates to both employees and Directors and which does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom such scheme or fund relates; and

(ff) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of any scheme for enabling employees including full-time executive Directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to employees.

(v) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned has not been fairly disclosed.

(vi) Save as provided in sub-paragraph (iv) above, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement, transaction or any other proposal in which he has any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company).

(vii) The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum of £50,000 or such larger amount as the Company may by ordinary resolution determine) and such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

(viii) Subject to the provisions of the Act, the Directors may from time to time appoint one or more of their body to the office of Managing Director or such other executive office as they may decide. His appointment shall be automatically determined if he ceases from any cause to be a Director, without prejudice to any claim for damages such Director may have for breach of any service contract between him and the Company. The salary or remuneration of any Managing Director or executive Director shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, and may include the making of provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance benefits.

(ix) Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

(x) The Directors may be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings or otherwise in connection with the business of the Company.

(xi) Subject to the provisions of the Act, a Director may hold any other office or place of profit under the Company, except that of Auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange.

(xii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (subject to the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(xiii) Subject to the provisions of the Act, the Company may, by ordinary resolution, suspend or relax certain of these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of those provisions.

(xiv) Section 293 of the Act (which regulates the appointment and continuation in office of Directors who have attained the age of 70) shall apply to the Company.

(xv) Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

(xvi) At the first annual general meeting of the Company all the Directors shall retire from office, and at every subsequent annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office.

(xvii) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be more than seven nor less than two.

(f) *Borrowing Powers*

The Directors may, save as the Articles provide otherwise, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and, subject to the provisions of the Act and the Articles, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Company and its subsidiaries exclusive of borrowings by one member of the Group from another, together with any fixed or minimum premium payable on final redemption or repayment thereof, shall not at the time of borrowing, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed (aa) £62.5 million until the date of publication of the first audited Balance Sheet and (bb) thereafter a sum equal to 1.25 times the adjusted total of capital and reserves. For this purpose the adjusted total of capital and reserves means the aggregate of (i) the amount paid up on the share capital of the Company and (ii) the amount standing to the credit of the capital and revenue reserves (including any share premium account, capital redemption reserve and balance on the revenue account) all as shown in the latest Balance Sheet but after such adjustments and deductions as are specified in the relevant Article. In the case of an index-linked stock or other index-linked obligation, monies borrowed are deemed to include the highest amount that would be repayable thereon under the provisions of the instrument constituting or regulating such stock or obligation if such stock or obligation were to be redeemed on the date on which the calculation falls to be made. For this purpose "Balance Sheet" means the published audited balance sheet of the Company unless as at the date to which audited accounts incorporating such balance sheet are made up the Company shall have a subsidiary or subsidiaries, in which event "Balance Sheet" means the consolidated balance sheet of the Company and its subsidiaries as at that date (provided that if at that date the Company has a subsidiary or subsidiaries and a consolidated balance sheet of the Company and its subsidiaries (and no others) has not been prepared as at that date, "Balance Sheet" shall mean a consolidated balance sheet of the Company and its subsidiaries (and no others) prepared by the Company as at such date and reported on by the Company's auditors as having been properly prepared and the date of publication of such consolidated balance sheet shall be taken to be the date of such report by the Auditors) and references to reserves and revenue account shall be deemed to be references to consolidated reserves and consolidated revenue account respectively as disclosed by such consolidated balance sheet.

(g) *Pensions, Gratuities, etc.*

The Directors may give or award pensions, gratuities and superannuation or other allowances or benefits to, *inter alia*, any director, ex-director, employee or ex-employee of the Company or of any of its subsidiaries (present or past) or the relatives or dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds.

(h) *Dividends and Distributions on Liquidation to Ordinary Shareholders*

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. All dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. The Directors may pay such interim dividends as appear to them to be justified by the profits of the Company. On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

The Directors may, before recommending any dividend, set aside out of the Company's profits such sums as they think proper as a reserve or reserves which will be applicable for any purpose to which the Company's profits may be properly applied and may in the meantime either be employed in the Company's business or invested in such investments as the Directors think fit. The Directors may divide the reserve into separate accounts and consolidate wholly or partly any separate accounts in the reserve fund. The Directors may also without placing the same to reserve, carry forward any profits which they think it is prudent not to divide.

(i) *Capital Reserve*

All surpluses arising from the realisation of investments and all other monies realised on or derived from the realisation of or dealing with any capital asset in excess of the book value and all other monies which are in the nature of accretion to capital shall be credited to a capital reserve to be maintained by the Company. Any loss realised on the sale, repayment or payment of any investments or other capital assets may be carried to the debit of the capital reserve and any increase or diminution in the amount of any index-linked obligation of the Company may be carried to the debit or credit of the capital reserve except so far as the Directors may at their discretion decide to make good the same out of or credit the same to the other funds or reserves of the Company. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the capital reserve or any other monies in the nature of accretion to capital shall be transferred to the revenue account or be regarded as or treated as profits of the Company available for distribution (as defined by Section 263(2) of the Act) or be applied in paying dividends on any shares in the Company's capital. The Directors may determine whether any amount received by the Company is to be dealt with as income or capital or partly in one way and partly in the other.

(j) *Unclaimed Dividends*

Any dividend unclaimed for a period of twelve years from the date of its declaration shall be forfeited and shall revert to the Company.

(k) *Duration and Winding-up*

(i) The Directors shall convene an Extraordinary General Meeting of the Company to be held on 30th July, 1996 and shall procure that an ordinary resolution providing for the Company to be wound up on a voluntary basis pursuant to Section 84(1)(a) of the Insolvency Act 1986 ("liquidation resolution") is proposed to the holders of Ordinary Shares at that meeting unless at the Annual General Meeting of the Company in respect of the financial period of the Company ending on 31st July, 1995 an ordinary resolution is passed releasing the Directors from such obligation. Every holder of Ordinary Shares present in person or by proxy and entitled to vote shall be obliged to vote in favour of a liquidation resolution.

(ii) If the Directors are released from their obligation to put the liquidation resolution pursuant to the provisions in sub-paragraph (i) above, the Directors shall convene an Extraordinary General Meeting of the Company to be held within twelve months after the Annual General Meeting of the Company held in respect of the financial period of the Company ending 31st July, 1997 and in each successive second year thereafter unless at each preceding Annual General Meeting an ordinary resolution is passed releasing the Directors from such obligation, and shall procure that a liquidation resolution is proposed thereat.

(l) If the Management Agreement referred to in paragraph 6(c) below is terminated, or if any offer is made to all the holders of Ordinary Shares to acquire the whole or any part of the Ordinary Shares and the right to cast more than 50 per cent. of the votes which may ordinarily be cast at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or any person associated, or acting in concert, with the offeror then, in either such event, BZW Investment Management shall be entitled by notice in writing to the Company to require that the name of the Company is changed to a name which does not contain the letters "BZW" or the terms "Barclays", "de Zoete" or "Wedd" or any letters or words colourably or confusingly similar thereto. If within three months after the giving of such notice the name of the Company has not been changed, BZW Investment Management shall be entitled to convene an Extraordinary General Meeting of the Company for the purpose of passing a special resolution (the "name change resolution") adopting as the name of the Company a name selected by BZW Investment Management and every holder of Ordinary Shares present in person or by proxy and entitled to vote shall be obliged to vote in favour of the name change resolution.

4. Directors and Other Interests

(a) *Interests in Ordinary Shares and Index Loan Stock*

(i) It is intended that the Directors' proposed applications will be accepted in full. If they are accepted in full, the interests of the Directors, beneficial or otherwise, in Ordinary Shares and Index Loan Stock immediately following the Offer and the Placing, as will be shown in the register of such interests required to be maintained under the provisions of Section 325 of the Act, will be as follows:

Name of Director	*No. of Ordinary Shares*	*No. of Units of Index Loan Stock*
P. Birch	20,000	nil
D. A. Acland	5,000	nil
B. J. Southcott	nil	nil
P. R. Withers Green	30,000	nil

(ii) Save as disclosed in sub-paragraph (i) above, none of the Directors will immediately following the Offer have any interest in the share or loan capital of the Company.

(iii) BZW will immediately following the Offer be beneficially interested in 500,000 Ordinary Shares representing 1.0 per cent. of the then issued share capital.

(iv) The Directors are not aware of any person who immediately following the Offer will be interested directly or indirectly (within the meaning of Part VI of the Act) in 5 per cent. or more, of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

(b) *Emoluments*

The aggregate emoluments of the Directors in respect of the financial period ending 31st July, 1990 are expected not to exceed £10,000. D. A. Acland and P. R. Withers Green have agreed to waive their entitlements to Directors' fees for this period.

(c) *Transactions and Benefits*

(i) Save as disclosed in sub-paragraphs (iii) and (iv) below, no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company.

(ii) Save as disclosed in sub-paragraphs (iii) and (iv) below, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company.

(iii) D. A. Acland is a director of BZW Investment Management and is a shareholder in Barclays PLC, the ultimate holding company of BZW and BZW Investment Management.

(iv) P. R. Withers Green is a director of BZW Investment Management and a shareholder in Barclays de Zoete Wedd Holdings Limited, the holding company of BZW Investment Management and BZW.

(d) *Service Agreements*

There are no service contracts in existence between the Company and any of the Directors nor are any such contracts proposed.

5. Offer for Subscription Agreement

By an Offer for Subscription Agreement dated 19th January, 1990 between the Company (1) the Directors (2), BZW (3) and BZW Investment Management (4) BZW has agreed subject, *inter alia*, to the Ordinary Shares to be issued under the Offer being admitted to the Official List of The Stock Exchange by close of business on 15th February, 1990, to subscribe or procure subscribers at the Offer Price for all of such Ordinary Shares. The Company will pay BZW an underwriting commission of 2 per cent. of the Offer Price (out of which BZW will pay sub-underwriting commissions of 1½ per cent. of the Offer Price) and a fee of £60,000 and will pay BZW's expenses incidental to the Offer, in all cases together with VAT where applicable. Under the Agreement, which may be terminated by BZW in certain circumstances, warranties and indemnities have been given by the Company to BZW.

6. Material Contracts

The following contracts, not being entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are or may be material:

(a) the Offer for Subscription Agreement referred to in paragraph 5 above;

(b) a Placing Agreement dated 19th January, 1990 between the Company (1), the Directors (2), BZW (3) and BZW Investment Management (4), whereby BZW has agreed subject, *inter alia*, to the Index Loan Stock to be issued under the Placing being admitted to the Official List of The Stock Exchange by close of business on 15th February, 1990 to subscribe or procure subscribers at the Issue Price (as referred to in paragraph 2 of Part IV of this document) for all the Index Loan Stock. The Company will pay a fee to BZW

of £50,000 plus ½ per cent. of the aggregate Issue Price together with a commission at the rate of 2½ per cent. of the aggregate Issue Price (out of which BZW will pay sub-underwriting commissions of 2½ per cent. of the Issue Price) and will pay BZW's expenses incidental to the Placing, in all cases together with VAT where applicable. Under the Agreement, which may be terminated by BZW in certain circumstances, warranties and indemnities have been given by the Company to BZW;

(c) an agreement (the "Management Agreement") dated 19th January, 1990 between the Company (1) and BZW Investment Management (2) whereby, conditionally upon the Ordinary Shares and the Index Loan Stock being admitted to the Official List of The Stock Exchange by close of business on 15th February, 1990, BZW Investment Management has agreed to provide investment management services to the Company in consideration of a quarterly management fee payable in arrears on 31st January, 30th April, 31st July and 31st October in each year equal to the sum which, when there is added to it the fees payable in the same quarter to the Secretary under the Secretarial Agreement referred to in paragraph (d) below, is equal to the amount calculated at the rate of 0.1875 per cent. per quarter (plus VAT) by reference to the net proceeds of the Offer and the Placing in respect of the period ending on *30th April, 1990* and thereafter by reference to the total assets less current liabilities of the Company and its subsidiaries. The first payment under the Management Agreement will be payable on 30th April, 1990 in respect of the period from the date on which the Ordinary Shares and the Index Loan Stock are admitted to the Official List of The Stock Exchange to 30th April, *1990. The Management Agreement contains provisions indemnifying BZW Investment* Management against any liability not due to its own wilful default or negligence. The Management Agreement is to continue until 31st July, 1992 and thereafter unless terminated by either party giving to the other not less than one year's written notice of its intention to terminate the agreement (so as to expire no earlier than 31st July, 1992, subject to earlier termination as provided for therein; and

(d) an agreement (the "Secretarial Agreement") dated 19th January, 1990 between the Company (1) and Ivory & Sime plc (2) whereby, conditionally upon the Ordinary Shares and the Index Loan Stock being admitted to the Official List of The Stock Exchange by close of business on 15th February, 1990, Ivory & Sime plc has agreed to provide administrative and secretarial services to the Company in consideration of (i) an annual fee of £75,000 indexed in line with the Retail Prices Index with effect from 1st August, 1990 and annually thereafter and payable quarterly in arrears on 31st January, 30th April, 31st July and 31st October in each year, and (ii) a variable fee of 0.075 per cent. per annum of the net proceeds of the Offer and the Placing for the seven months ending on 31st July, 1990 and thereafter by reference to the total assets less current liabilities *of the Company as at 31st July in each year. The first payment under the Secretarial* Agreement will be payable on 30th April, 1990 in respect of the period from 1st January, 1990 to 30th April, 1990. The Secretarial Agreement contains provisions indemnifying Ivory & Sime plc against any liability not due to its own default or negligence. The Secretarial Agreement is to continue until and unless terminated by either party giving to the other not less than twelve months' written notice of its intention to terminate the agreement, subject to earlier termination as provided for therein.

7. Taxation

(a) The Company

(i) *Investment Trust Status*

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust as set out in Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. Accordingly, the Company will be exempt from United Kingdom corporation tax on capital gains in respect of each chargeable accounting period for which such approval is granted.

(ii) *Convertible Securities*

The Inland Revenue issued a consultative paper in October, 1989 on the treatment of gains realised on the disposal of convertible securities. It is anticipated that certain of the proposals will be incorporated in the 1990 Finance Bill, which may affect whether a portion of certain gains is taxed as income to the Company.

(iii) *Index Loan Stock*

Under current tax legislation the payments of interest on the Index Loan Stock will be allowable interest and therefore deductible for tax purposes against the taxable income of the Company. Further, any premium or discount on redemption of the Index Loan Stock will be treated as capital in nature and will not be taken into account in the computation of the Company's liability to corporation tax.

(b) Ordinary Shareholders

The comments below are of a general and summary nature and are based on the Company's understanding of certain aspects of current United Kingdom law and practice relevant to the treatment of the Ordinary Shares. The comments relate to the position of persons who are the absolute beneficial owners of Ordinary Shares and may not apply to certain classes of persons such as dealers.

(i) *Chargeable Gains*

On the transfer or disposal of Ordinary Shares, a chargeable gain or allowable loss may arise for the purposes of United Kingdom taxation. United Kingdom capital gains tax (or for companies, corporation tax) on chargeable gains generally applies only to persons resident or ordinarily resident in the United Kingdom and to persons not so resident but carrying on a trade in the United Kingdom through a branch, agency or permanent establishment. For individuals, capital gains tax is currently levied at the rate of either 25 per cent. or 40 per cent. depending on the level of their total income and gains for the year. Corporation tax on chargeable gains is normally levied at the rate of 35 per cent. The availability of any relief from or credit for such United Kingdom taxation liability against liabilities imposed by other jurisdictions on disposals of Ordinary Shares will depend, in general, on the terms of any relevant double tax convention or agreement and on the laws of such jurisdictions.

(ii) *Dividends*

(aa) When paying a dividend to shareholders, the Company may have to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and for the fiscal year 1989/1990 is 25/75ths of the dividend paid. Accordingly, the ACT related to a dividend *will be 25 per cent. of the sum of the cash dividend plus the ACT. The Company* will only be liable to remit an amount of ACT to the Inland Revenue if the franked payments paid to shareholders exceed the aggregate of any qualifying distributions (franked investment income) received by the Company in the same accounting period and any surplus franked investment income carried forward from previous accounting periods.

(bb) For non-corporate shareholders resident in the United Kingdom, the ACT is available as a basic rate tax credit which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. United Kingdom resident corporate shareholders will not be liable to United Kingdom corporation tax on any dividend received.

(cc) Whether the holders of shares in the Company who are resident in countries other than the United Kingdom are entitled to payment from the Inland Revenue or the Company of a proportion of, or all of, the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and what relief or credit may be claimed in the jurisdiction in which they are resident.

(iii) *Inheritance Tax*

Ordinary Shares will have a United Kingdom situs for the purposes of inheritance tax and so will be within the charge to such tax, although no charge will arise in respect of certain types of gifts made more than seven years before the death of the donor.

(iv) *Stamp Duty and Stamp Duty Reserve Tax*

Stamp duty (or stamp duty reserve tax unless, in general, the transfer is duly stamped within two months of the agreement to transfer) will be payable on a transfer or sale of Ordinary Shares at the rate of 50p per £100 or part thereof of the consideration paid. A purchaser of rights to Ordinary Shares represented by a renounceable letter of allotment on or before the latest time for registration of renunciation will be liable to stamp duty reserve tax at the rate of 50p per £100 or part thereof of the consideration paid.

Shareholders who are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

8. Other Investment Information

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988, and in addition it will be their policy *inter alia*:

(a) not to lend or invest more than 10 per cent. of the assets of the Company, or, if the Company has subsidiaries, of the Group (before deducting borrowed money) to or in the securities of any one company (other than holdings in another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact that it is not listed) including loans to or shares in its own subsidiaries; and

(b) that not more than 25 per cent. of the assets of the Company, or, if the Company has subsidiaries, of the Group (before deducting borrowed money) will be invested in the aggregate of (i) securities not listed on any recognised stock exchange (for which purpose securities quoted on the NASDAQ system in the United States of America and Canada are treated as securities listed on a recognised stock exchange and (ii) holdings in which the interest of the Company, or, if the Company has subsidiaries, of the Group, amounts to 20 per cent. or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than another company which has been approved as an investment trust by the Inland Revenue or which would qualify for such approval but for the fact that it is not listed).

None of the restrictions will require the realisation of any relevant assets of the Company where any of such restrictions is breached as a result of any event outside the control of the Company and occurring after the investment in the relevant assets is made or by reason of the receipt or exercise of any rights, bonuses or benefits in the nature of capital or any scheme or arrangement for amalgamation, reconstruction, conversion or exchange or of any repayment or redemption. The realisation of any investment amounting to 25 per cent. or more by value of the assets of the Company will be made only with the consent of shareholders.

The investment policy set out will, in accordance with The Stock Exchange requirements, be adhered to for at least three years following listing and the policy of investment in convertible securities will not be altered at any time without the consent of shareholders in general meeting.

9. General

(a) The principal place of business of the Company is at Seal House, 1 Swan Lane, London EC4R 3UD. The Company does not have nor has it had since incorporation any employees. The Company has no subsidiaries or associated companies.

(b) BZW Investment Management is the promoter of the Company. No amount or benefit has been paid or given to BZW Investment Management as the promoter and none is intended to be paid or given.

(c) The Company is not, and has not since incorporation been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Company's financial position and no legal or arbitration proceedings are known to the Directors to be pending or threatened against the Company.

(d) Arthur Andersen & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report set out above in the form and context in which it is included.

(e) Save as disclosed in this Part V, there has been no significant change in the trading or financial position of the Company since incorporation.

(f) It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the requirements for qualification as an investment company under Section 266 of the Companies Act 1985 and the Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that Section.

(g) The expenses of, and incidental to, the Offer and the Placing including underwriting, registration, listing fees, printing, advertising and distribution costs, legal and accounting fees, are estimated to amount to approximately £1.28 million and £0.66 million (exclusive of VAT) respectively and are payable by the Company.

(h) The net proceeds of the Offer and the Placing are estimated to be approximately £68.02 million and will be available for investment by the Company.

(i) BZW is a member of The Securities Association and is registered in England, registered No. 181866, with its registered office at Ebbgate House, 2 Swan Lane, London EC4R 3TS.

(j) The Offer Price of 100p per Ordinary Share represents a premium of 90p over the nominal value of an Ordinary Share.

(k) Barclays Bank PLC, 33 Old Broad Street, London EC2P 2JE, are the bankers to the Company.

10. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Dickson Minto, W.S., Royal London House, 22/25 Finsbury Square, London EC2A 1DS during normal business hours on any weekday (Saturdays and public holidays excepted) for the period of 14 days from the date of this document:

(a) *the Memorandum and Articles of Association of the Company*;
(b) the Report of Arthur Andersen & Co. referred to above;
(c) the material contracts referred to in paragraph 6 above;
(d) the consent letter referred to in paragraph 9(d) above;
(e) a draft, subject to amendment, of the Trust Deed; and
(f) these Listing Particulars.

19th January, 1990.

PART VI

TERMS AND CONDITIONS OF APPLICATION

(a) The contract created by the acceptance of applications under the Offer will be conditional upon (i) the admission of the Ordinary Shares and the Index Loan Stock to the Official List of The Stock Exchange by the close of business on 15th February, 1990, (ii) the Offer for *Subscription Agreement referred to in paragraph 5 in Part V becoming* unconditional and not being terminated in accordance with its terms and (iii) the Placing Agreement referred to in paragraph 6(b) in Part V becoming unconditional and not being terminated in accordance with its terms.

(b) The right is reserved to present all cheques and banker's drafts for payment on receipt by Barclays Bank PLC *and to retain renounceable letters of allotment* and surplus application monies pending clearance of successful applicants' cheques. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.

If any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case *may be, the balance thereof will be returned without interest by returning the applicant's(s')* cheque or banker's draft or by crossed cheque in favour of the first-named applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by Barclays Bank PLC in a separate account.

(c) By completing and delivering an Application Form, you:

(i) offer to subscribe for the number of Ordinary Shares specified in your Application Form (or such lesser number for which your application is accepted) at the Offer Price and on the terms of, and subject to the conditions set out in this document, including these terms and conditions and subject to the Memorandum and Articles of Association of the Company;

(ii) agree that, in consideration of the Company agreeing that it will not prior to Wednesday, 15th February, 1990 offer for subscription any Ordinary Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked until after Thursday, 15th February, 1990 and that this paragraph shall constitute a collateral contract between you and the Company which will become *binding upon despatch by post to or, in the case of delivery by hand, on receipt by* Barclays Bank PLC of your Application Form;

(iii) warrant that the remittance accompanying your Application Form will be honoured on first presentation;

(iv) agree that, in respect of those Ordinary Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, either (i) by notification to The Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to Barclays Bank PLC;

(v) agree that any renounceable letter of allotment and any monies returnable to you may be retained by Barclays Bank PLC pending clearance of your remittance and that such monies will not bear interest in your favour;

(vi) authorise Barclays Bank PLC to send a fully paid renounceable letter of allotment in respect of the number of Ordinary Shares for which your application is accepted and/or crossed cheque for any monies returnable, by post to the address of the person (or in the case of joint holders the first-named person) named as an applicant in the Application Form;

(vii) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and undertake to enclose your power of attorney or a copy thereof certified by a solicitor where this is required by the "Notes on how to complete the Application Form";

(viii) agree that all applications, acceptances of application and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts;

(ix) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;

(x) authorise Barclays Bank PLC or BZW or any person authorised by Barclays Bank PLC or by BZW, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such Ordinary Shares has been renounced and authorise any representative of Barclays Bank PLC or of BZW to execute any renounceable letter of allotment or other document required therefor;

(xi) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained therein;

(xii) confirm that you have reviewed the restrictions contained in paragraph (e) below and warrant as provided therein;

(xiii) agree that all documents and cheques sent by post, by or on *behalf of the Company or* BZW will be sent at the risk of the person(s) entitled thereto under the Offer; and

(xiv) confirm that you have read and complied with paragraph (d) below.

(d) No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in *connection therewith, including obtaining* any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

(e) The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended). The Ordinary Shares may not be offered, sold, renounced, *transferred or delivered, directly or* indirectly, in the United States or to any US Person. Persons subscribing for Ordinary Shares (including renouncees submitting renounceable letters of allotment for registration) shall be deemed to represent and warrant to the Company that they are not US Persons and that they are not subscribing for such Ordinary Shares for the account of any US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares in the United States or to any US Person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and "US Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust which is subject to United States federal income taxation regardless of the source of its income.

(f) The basis of allocation will be determined by BZW in consultation with the Directors. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down any application. The right is reserved to treat as valid any application not in all respects completed in accordance with the instructions accompanying the Application Form.

Availability of Listing Particulars

Copies of this document and the Application Form are available from The Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2N 1HP for two business days following the date of publication of this document and until the Offer closes *from the registered office of the Company and from:*

Barclays de Zoete Wedd Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

Barclays Bank PLC
New Issues
PO Box 123
Fleetway House
25 Farringdon Street
London EC4A 4HD

19th January, 1990.

BZW CONVERTIBLE INVESTMENT TRUST PLC

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

1. **Insert in Box 1 (in figures) the number of Ordinary Shares for which you are applying.**

   Applications must be for a minimum of 100 Ordinary Shares or in one of the following multiples:

   For 100 shares or more, but not more than 5,000 shares, in a multiple of 100 shares.

   For more than 5,000 shares, but not more than 50,000 shares, in a multiple of 1,000 shares.

   For more than 50,000 shares, in a multiple of 5,000 shares.

2. **Insert in Box 2 (in figures) the amount of your cheque or banker's draft.**

   This should be equal to the number of Ordinary Shares for which you are applying multiplied by the Offer Price of 100p.

3. **Insert your full name and address in BLOCK CAPITALS in Box 3.**

4. **Sign and date the Application Form in Box 4.**

   The Application Form may be *signed by another person on your behalf* (and/or on behalf of any joint applicant(s)) if duly authorised so to do, but the power(s) of attorney (or a copy(ies) thereof duly certified by a solicitor) or form(s) of authority must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

5. **You must pin a single cheque or banker's draft to your completed Application Form in Box 5. Your cheque or banker's draft must be payable to "BZW Convertible Investment Trust PLC" for the amount payable on application inserted in Box 2 and should be crossed "Not Negotiable".**

   No receipt will be issued for this payment (which must be solely for this application).

   Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right-hand corner.

   An application may be accompanied by a cheque drawn by a person other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person named in Box 3.

   A separate cheque or banker's draft must accompany each application.

6. **You may apply jointly with up to three other persons.**

   You must then arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

7. **Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).**

   You must send the completed Application Form by post, or deliver it by hand, to Barclays Bank PLC, New Issues, PO Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD, so as to arrive not later than 10.00 a.m. Tuesday, 30th January, 1990.

   If you post your Application Form you are recommended to use first class post and to allow at least two business days for delivery.

Offer for subscription sponsored by Barclays de Zoete Wedd Limited of Ordinary Shares, at 100p per share, payable in full on application.

APPLICATION FORM

IMPORTANT: BEFORE COMPLETING THIS FORM YOU SHOULD READ THE LISTING PARTICULARS AND THE ACCOMPANYING NOTES.

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 5

I/We offer to subscribe for | *see note 1* Ordinary Shares | **1**

in BZW Convertible Investment Trust PLC on and subject to the Terms and Conditions of Application set out in the listing particulars dated 19th January, 1990 and subject to the Memorandum and Articles of Association of the Company

and I/we attach a cheque or banker's draft for the amount payable of | £ | *see note 2* | **2**

PLEASE USE BLOCK CAPITALS

MR., MRS., MISS OR TITLE	FORENAME(S) (IN FULL) *see note 3*	**3**
SURNAME		
ADDRESS (IN FULL)		
	POSTCODE	

DATED 1990	SIGNATURE *see note 4*	**4**

PIN YOUR CHEQUE OR BANKER'S DRAFT HERE FOR THE EXACT AMOUNT SHOWN IN BOX 2 MADE PAYABLE TO "BZW CONVERTIBLE INVESTMENT TRUST PLC" AND CROSSED "NOT NEGOTIABLE" **5**

BOXES 6 AND 7 MUST BE COMPLETED ONLY BY THE JOINT APPLICANT(S) *(see notes 6 and 7)*

PLEASE USE BLOCK CAPITALS

MR., MRS., MISS OR TITLE	MR., MRS., MISS OR TITLE	MR., MRS., MISS OR TITLE	**6**
FORENAME(S) (IN FULL)	FORENAME(S) (IN FULL)	FORENAME(S) (IN FULL)	
SURNAME	SURNAME	SURNAME	
ADDRESS (IN FULL)	ADDRESS (IN FULL)	ADDRESS (IN FULL)	
POSTCODE	POSTCODE	POSTCODE	
SIGNATURE	SIGNATURE	SIGNATURE	**7**

For Official Use Only

i. ALLOTMENT NUMBER	iv. AMOUNT RECEIVED £
ii. ORDINARY SHARES ALLOTTED	v. AMOUNT PAYABLE £
iii. CHEQUE NUMBER	vi. AMOUNT RETURNED £

WORLD STOCK MARKETS

AMERICA

Dow holds modest advance in active trade

Wall Street

FOLLOW-THROUGH buying after the technical rebound late on Thursday took equities moderately higher on Wall Street yesterday morning, *writes Anatole Kaletsky in New York.*

At 2 pm the Dow Jones Industrial Average was up 10.03 at 2,676.41, having traded throughout the morning in a narrow range between 2,670 and 2,680. The Dow had closed 7.25 higher on Thursday.

Trading volume was substantial, with 109m shares changing hands, though some of the activity was attributed to the expiry of January stock options. Advancing stocks led declines by a margin of five to four. While this margin was narrow, it represented a significant improvement on the previous few days' trading.

A stronger bond market contributed to the better spirit among equity investors, as many fixed-interest traders concluded that the recent sharp setbacks had left bonds oversold. The Treasury's benchmark long bond rose by $\frac{5}{32}$ to 98 and its yield fell to 8.30 per cent. A seasonal liquidity surplus was evident in the money market, where Federal Funds fell as low as 8¼ per cent, even after the Federal Reserve executed a draining operation which analysts said had no policy significance.

Among individual stocks, attention again focused on blue chips, with Philip Morris, AT&T and Citicorp figuring near the top of the most active list. Philip Morris rose $⅛ to $39⅝, AT&T fell $⅝ to $41⅞ and Citicorp declined $⅝ to $26¾.

Digital Equipment continued to suffer heavy selling in reaction to its disappointing results on Thursday; the stock fell $4½ to $77½. Apple advanced $1⅝ to $34, even though it revealed profits somewhat below the consensus forecast after the close on Thursday.

The morning's most important announcement came from Bank of New England, which revealed even bigger property losses than expected and shocked the markets by stating that it had been instructed to clean up its loan portfolio by Federal regulators. The bank's already battered shares plunged a further $1⅛ to $3, and other New England banks fell in sympathy. Bank of Boston, the region's leading bank group, fell $1⅜ to $15⅝.

Rorer advanced $1½ after announcing on Thursday night that Rhône-Poulenc of France was the mystery bidder offering $73 a share for 68 per cent of its stock in an agreed deal.

The only other special situation was UAL, which rose in response to a Business Week report that Mr Marvin Davis, the Los Angeles investor, had prepared a $250 a share takeover bid. The story was denied by Mr Davis and dismissed by most traders, but still led to an advance of $8 to $166¼.

Canada

MODERATE trading saw Toronto hold on to opening gains by midsession. The composite index rose 9.1 to 3,868.5 on volume of 17.3m shares.

Slightly lower interest rates and the boost to exports from a softer Canadian dollar supported the market.

Alcan Aluminium was unchanged at C$25, recovering from early weakness after Thursday's announcement of a decline in earnings last year to US$3.58 a share from US$3.85 a share a year earlier.

Inco fell C$⅜ at C$27⅛ after nickel hit a two-year low.

EUROPE

Nervous week ends with mixed performance

A JITTERY week for the Continent ended in mixed fashion. Frankfurt and Paris were still edgy, while some other leading bourses seemed to decide that the declines had gone on long enough, *writes Our Markets Staff.*

FRANKFURT fell slightly on the day, but a lot on the week, with drops of 0.35 points and 4.2 per cent respectively in the FAZ index to 743.78, and 5.61 points and 4.4 per cent to 1,773.56 in the DAX.

In the end, the decline was broadly-based. International blue chips, an obvious risk in view of Soviet unrest, domestic profit-taking and the absence of foreign buying, included Daimler at DM812, off DM7 on the day and DM62 on the week.

However, there was a different situation in insurance group AMB, exposed to the Co op collapse last year by its ownership of one of the latter's creditor banks, BfG; AMB fell DM23 to DM866, and analysts said that there was still a sour feeling about the stock.

Soviet worries probably affected Schering, based in Berlin and down DM5.50 at DM763.50, DM62.50 lower on the week. Porsche put on another DM52 to DM1,005, after a Swedish real estate millionaire said he had bought a stake. The sports car company is up DM51 on the week and DM155 on the fortnight.

PARIS ended weaker in a session featuring developments on the corporate front but little sense of overall direction. The CAC 40 index closed 8.77 lower at 1,925.95, down 2.2 per cent on the week, and volume was estimated at about Thursday's level of FFr2.8bn.

Saint-Gobain was one of the biggest movers, falling FFr26 to FFr621 after reporting a 6 per cent increase in its 1989 profits to FFr4.3bn, which was below some analysts' forecasts.

A relatively heavy fall was registered by Rhône-Poulenc, which suffered from nervousness about the US Securities and Exchange Commission's allegations of insider trading in the shares of Rorer, the US drugs company in which it is taking a majority stake. Rhône-Poulenc investment certificates dropped FFr17.50 to FFr430. The company said it was not the source of news leaks that led to the charges.

LVMH was off FFr30 at FFr5,000 in moderate volume after Mr Bernard Arnault, the chairman, won the latest in a round of legal battles over a stake he holds in the company. BSN, the foods group, won West German permission for its takeover of the noodles maker Birkel and rose FFr4 to FFr738.

Poliet was off FFr15 at FFr551; it announced a FFr1.45bn convertible bond issue following its takeover of another building materials company.

ZURICH fielded a positive correction to a negative week, as the Crédit Suisse index rose 6.0 to 612.7 in low volume, trimming the week's decline to 2.4 per cent. UBS said that it was increasing mortgage rates by half a percentage point to 6.5 per cent; but brokers said the move, widely discounted, had little impact on equities.

AMSTERDAM ended a nervous week on a stronger note, with trading dominated by the expiry of stock options. The CBS tendency index rose 0.4 to 113.6 (a loss of 1.8 per cent this week), helped by the better start on Wall Street.

The main feature was KNP, the paper group, which plunged Fl 5.70 to Fl 41.90 on concern over its forecast of a weaker first half performance. Earnings have grown for the past seven to eight years, but 1990 could be a year of profits decline.

MILAN saw the Comit index rise 1.01, and fall 1.3 per cent on the week, to 697.38. A further postponement of the tax favouring Montedison in its hive-off of businesses to the new Enimont chemicals group left the former L25 lower at L2,035 and the latter L25 down at L1,595.

MADRID fell again, although there were some robust performers among the construction stocks. The general index shed 0.36 to 286.13, for a week's loss of 3 per cent.

STOCKHOLM suffered as interest rates continued to rise and worries about the economy grew. The Affärsvärlden General index fell 18.9 to 1,262.0, a decline on the week of 4.2 per cent. Turnover remained active at SKr466m.

There was another slide in forestry shares, with SCA free B shares down SKr4 at SKr110 and Stora free Bs off SKr6 at SKr299. Mr Bo Wergens, chief executive of Sweden's Forestry Industry Association, warned yesterday that the country's forestry companies would lose market share and find it difficult to maintain current profit levels in the 1990s.

HELSINKI forestry stocks took the opposite path to Stockholm's, rising in busy trading in the wake of Metsä-Serla's purchase of 25 per cent of United Paper Mills. The Unitas all-share index gained 7.5 to 640.0, bringing it 2.2 per cent higher over the week. Turnover was FM202m – active, but well below Thursday's record FM1.4bn.

Metsä-Serla free A shares gained FM14 to FM325 and its free Bs added FM10 to FM183.

OSLO advanced in active trading in response to higher North Sea oil prices and news that restrictions on foreign investment in banks and insurance companies might be relaxed.

The all-share index rose 4.54 to 565.85, 0.8 per cent higher on the week, while NKr483m worth of shares were traded.

COPENHAGEN declined after the previous day's record in light turnover, as the bourse index lost 4.86 to 369.38, ending close to the previous Friday's level.

SOUTH AFRICA

FURTHER profit-taking pulled *Johannesburg gold stocks* down again. The gold index lost 81 points to 2,080.

ASIA PACIFIC

Nikkei halts its series of declines

Tokyo

OUTSIDE influences kept the Japanese equity market nervous yesterday, but shares ended higher for the first time this week after a roller-coaster ride, *writes Michiyo Nakamoto in Tokyo.*

Turnover at 517m shares was even lower than the 527m traded on Thursday and did not indicate any recovery in market energy. The Nikkei average fluctuated between a high of 36,839.67 and a low of 36,365.17 before closing with a gain of 107.08 to 36,836.54, a fall of 1.8 per cent on the week.

BOMBAY retreated as fears of heavy taxation in the March budget persisted. The stock exchange index lost 27.83 to 710.75, for an 8.9 per cent fall over the week.

Declines, however, significantly outnumbered advances at 539 to 381, while 210 issues were unchanged. The broad-based Topix index fell 4.10 to 2,701.31; in London, the ISE/Nikkei 50 index edged up 0.73 to 2,025.27.

Shares began sharply lower, with investors discouraged by further bond and yen weakness. Those who had supported the market's rally last month on expectations that easing US interest rates would lead to lower rates in Japan were put off by signs that US rates might not fall after all.

Speculation that a leading brokerage which was buying Nikkei options would start to buy on the cash market brought some punters in later in the day.

That enthusiasm, however, was soon dampened by the announcement of a substantial increase in money supply in December, which triggered fears of another rise in the Official Discount Rate. Dealer-driven activity and arbitrage buying finally led to a burst of strength towards the close.

Mr Shin Tokoi of County NatWest said that although some stocks had fallen enough to attract buying, much of the activity stemmed from needs arising from the closing of books at the end of the fiscal year in March. Dealers, in particular, eagerly supported issues that had been dumped in the past few days.

Nippon Steel, for example, topped the actives list with 15.9m shares traded and advanced Y8 to Y709. Sumitomo Metal Industries followed with 10.1m shares and a Y4 gain to Y770. These interest-rate sensitive issues had been out of favour recently.

Among popular property stocks, Mitsubishi Estate was up Y30 at Y2,300 and Mitsui Real Estate rose Y80 to Y2,670.

Oil issues were in favour before the visit by the Saudi Arabian energy minister. There has been restructuring talk surrounding the Japanese oil industry and, last year, there were reports that Saudi Arabia was eager to enter the Japanese oil refinery and wholesale markets. Arabian Oil rose Y500 to an all-time high of Y14,500 during the day, but later fell back Y300 to Y13,700 in profit-taking.

Osaka failed to recover from its doldrums and the OSE average suffered a loss of 160.08 to 37,797.70. Volume shrank further to 35m shares from 45m on Thursday. Interest in lagging large capital issues supported Shimizu Construction, which gained Y30 to Y2,110.

Roundup

NEWS ITEMS in the Pacific Basin yesterday illustrated recent trends in the individual equity markets: speculation, depression and financial embarrassment, in that order.

TAIWAN hit another record, with the weighted index rising 269.46 to 11,422.51, up 7.9 per cent on the week and 18.7 per cent since the start of this year. Turnover rose from NT$132bn to NT$177bn.

This prompted reports that the Securities and Exchange Commission was concerned about overheating and thought that raising the daily maximum price fluctuation band further, to 10 per cent from the current 7 per cent, would help curb market manipulation.

However, Mr Lu Danng-yen, vice chairman of the SEC, denied the reports. The fluctuation band was raised from 5 per cent last October 11.

HONG KONG, at the other end of the see-saw, closed with the Hang Seng index 4.62 up at 2,776.29, but 2.1 per cent lower on the week, turnover falling from HK$526m to HK$493m.

Against this background, a move to allow companies to repurchase their shares was described as long overdue; it was thought likely to help support prices, and provide companies with a potential weapon to ward off hostile takeovers.

AUSTRALIA saw weak performance in resource issues and the All Ordinaries index fell 3.8 to 1,673.9, 2.3 per cent lower on the week, in turnover down from A$299m to A$214m.

After hours, it was reported that Mr Abe Goldberg, the financier who runs one of the country's largest textile concerns and who has made several takeover moves in Australia and Britain, had asked banks to reschedule payments on certain borrowings.

Elsewhere, **NEW ZEALAND** closed with the Barclays index marginally better at 1,977.80, 1.9 per cent lower on the week; the recently buoyant **SINGAPORE** was down 2 per cent on the week as the Straits Times industrial index fell 5.61 on the day to 1,527.21; and **SEOUL's** composite index lost 6.61 on the day, and 3.9 per cent on the week, to 868.20.

Paris rues inability to woo investors flush with cash

But prospects look brighter, writes George Graham

JANUARY has not even brought the snow to gladden the eyes of Paris's harassed stockbrokers.

With low trading volumes and see-saw price movements, mostly driven by international influences, brokers have been unable to seek solace on the ski slopes, which remain grey and rocky, untouched by the slightest snowflake.

It has been a dismal time for the market, with the CAC General index already showing a decline of 3.3 per cent since the start of the year.

"There is cash around, but why would you risk it on equities when you can get 11 per cent in the money market without risk?" commented one senior financial analyst.

Cash is, indeed, available. Rights issues and flotations faded away in the second half of last year, with only an estimated FFr15bn ($2.6bn) taken out of the market, half as much as in the first half.

Takeover bids, however, put an estimated FFr40bn back into the market in the second half, while an end to the rule requiring unit trusts to keep 30 per cent of their assets in bonds could mean the release of up to FFr60bn more.

Corporate finance directors are acutely aware of the availability of this cash and, in the last few days, have rushed to take advantage of the opportunity before market conditions become too dismal to allow further fund-raising.

BSN, the acquisitive foods group, unveiled a FFr3.3bn issue of convertible bonds on January 4 while, a week later, Accor, the hotel group, launched an issue of shares with warrants to raise FFr1.8bn immediately and as much again when the warrants are exercised.

Cap Gemini Sogeti, Europe's largest computer services company, jumped in on January 11 with a FFr1.5bn convertible bond issue, while Spep, the holding company of the Schneider group, announced on Thursday a double-barrelled exercise to raise FFr1.3bn to FFr1.4bn, combining a FFr622m issue of shares with attached warrants and a convertible bond issue with conditions yet to be determined.

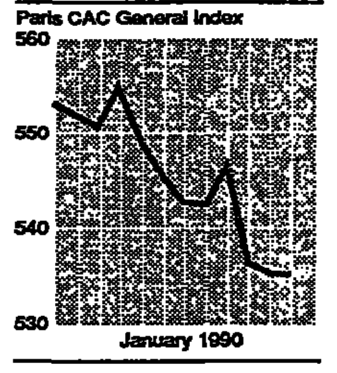
Since the crash of October 1987, the oil company Elf Aquitaine has been virtually alone in offering pure equity in a rights issue extended to FFr3.3bn in May last year. All other significant cash calls on the French market have either added warrants to the shares on offer or been launched as convertible bonds.

The bear pressures on the Paris bourse, however, are mostly the same as those affecting other stock markets.

On the plus side, there are a number of factors which might encourage the investor who wants to keep some money in equities to give a stronger medium-term weighting to France than to elsewhere.

France

Paris CAC General Index



January 1990

"Paris seems to me to be less badly placed than other markets, with prospects for 10 to 11 per cent growth in company profits on a macro-economic level – but more for the big listed companies – and 10 to 30 possible takeovers which might emerge in 1990," comments Mr Marc Alexandre, managing partner of Atlantic Finance, an independent Paris research organisation.

The economic climate shows growth likely to exceed 3 per cent in 1990 for the third year in succession, and inflation still moderate in relation to most European economies.

Against this background, projections for company profits are again buoyant. Crédit Lyonnais, the French state-owned bank, is forecasting an overall gain of 11 per cent.

Mr Hervé Filho, of Crédit Lyonnais's research department, projects gains of more than 20 per cent in the earnings per share of companies in the services and textile sectors, although part of this increase comes from an abrupt return to profits for one or two stricken clothing companies.

Mr Filho picks out food and computer services for gains of 15 to 20 per cent, with 10 to 15 per cent rises in banking, construction, chemicals, retailing, publishing and oil.

The new year has already seen some good news on the earnings front, proof that forecasts for 1989 profits were not hopelessly exaggerated. A 6 per cent gain in glass, pipes and construction materials group Saint-Gobain's net profits was slightly less than some analysts had been predicting but reflects strong underlying growth and heavy investment in new equipment.

For LVMH, the drinks and luxury goods group, a 45 per cent increase in net profits, after 1988's 49 per cent advance, shows that the different divisions have still, miraculously, not suffered any visible damage from the increasingly rancorous power struggle between Mr Bernard Arnault, the group chairman, and Mr Henry Racamier, head of the Louis Vuitton luggage division.

On this basis, a number of blue chips which have under performed the market in recent months could be revalued. In the field of special situations, the appetite of French companies for acquisitions appears to be far from exhausted, and a market correction at the start of the year could make some targets more appealing still.

Navigation Mixte has not slipped back below the price at which Paribas failed in its bid last year, but the game is widely viewed as still in progress. Speculation has arisen once again around Club Méditerranée, the holidays company, following the announcement that Accor had taken a 2 per cent stake, while Accor itself is still the object of takeover rumours.

A number of institutional investors are ready to start buying equities again as soon as the market looks a little more stable, but they will remain very selective.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JANUARY 18 1990						WEDNESDAY JANUARY 17 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	155.03	−0.1	139.72	129.87	−0.2	5.25	155.11	139.37	130.14	160.41	128.28	148.94
Austria (19)	208.59	−1.8	188.00	184.87	−0.6	1.32	212.38	190.81	186.02	219.85	92.84	93.04
Belgium (61)	154.08	−1.3	138.87	135.84	−0.5	4.12	156.13	140.29	136.49	160.02	125.58	131.61
Canada (120)	147.02	−1.0	132.51	124.72	−0.3	3.21	148.46	133.40	125.13	154.17	124.67	132.79
Denmark (36)	245.44	−1.4	221.21	220.40	−0.3	1.43	249.00	223.74	221.15	250.34	165.35	157.36
Finland (26)	140.68	−0.7	126.79	118.39	+0.1	2.84	141.72	127.34	118.32	159.16	118.63	127.58
France (125)	150.75	−1.9	135.87	137.27	−0.9	2.74	153.64	138.05	138.45	157.97	112.57	114.93
West Germany (96)	122.54	−3.0	110.44	108.81	−2.0	1.93	126.32	113.50	110.98	130.32	79.56	85.06
Hong Kong (48)	113.86	+0.5	102.62	114.16	+0.5	4.99	113.32	101.83	113.63	140.33	86.41	120.91
Ireland (17)	192.62	−0.6	173.60	174.71	+0.1	2.49	193.73	174.08	174.54	196.69	125.00	131.06
Italy (96)	98.67	−1.1	88.93	93.75	−0.1	2.45	99.75	89.63	93.81	102.11	74.97	84.43
Japan (455)	181.02	−0.9	163.15	167.12	−0.5	0.49	182.61	164.08	167.89	200.11	164.22	190.55
Malaysia (36)	229.48	−0.1	206.82	238.93	+0.0	2.24	229.60	206.30	238.93	238.21	143.35	150.10
Mexico (13)	330.18	+1.4	297.58	972.91	+1.4	0.53	325.47	292.45	959.02	337.02	153.32	164.15
Netherland (43)	134.98	−1.9	121.66	118.57	−0.9	4.55	137.58	123.61	119.61	145.68	110.63	112.16
New Zealand (18)	74.08	−0.4	66.77	64.06	−0.7	5.50	74.39	66.84	64.48	88.18	62.64	71.34
Norway (24)	210.67	−1.1	189.87	187.50	−0.4	1.45	212.97	191.36	188.33	219.26	139.92	159.67
Singapore (26)	185.63	+0.5	167.31	161.60	+0.6	1.80	184.70	165.96	160.70	189.94	124.57	133.65
South Africa (60)	223.09	−2.1	201.06	165.86	−1.3	3.42	227.89	204.77	168.00	229.41	115.35	118.77
Spain (43)	155.27	−1.4	139.94	129.74	−0.3	4.08	157.55	141.56	130.16	169.75	143.14	148.12
Sweden (35)	198.14	−1.8	178.58	181.57	−1.2	1.89	201.85	181.37	183.70	206.95	138.45	145.40
Switzerland (62)	94.00	−2.4	84.72	88.49	−1.8	2.02	96.30	86.53	89.97	99.12	67.81	75.88
United Kingdom (306)	156.83	−1.8	141.34	141.34	−1.5	4.47	159.66	143.46	143.46	164.31	133.28	139.36
USA (542)	136.89	+0.2	123.37	136.89	+0.2	3.42	136.59	122.73	136.59	146.29	112.13	116.68
Europe (989)	140.32	−1.8	126.46	125.79	−1.2	3.39	143.10	128.58	127.38	146.66	112.63	115.17
Nordic (121)	192.57	−1.5	173.55	167.43	−0.7	1.70	195.59	175.74	168.61	198.12	137.95	142.15
Pacific Basin (667)	177.61	−0.8	160.07	163.69	−0.4	0.75	179.06	160.89	164.40	194.72	160.44	185.95
Euro−Pacific (1656)	162.89	−1.2	146.81	148.62	−0.7	1.67	164.89	148.16	149.69	174.18	141.58	157.51
North America (662)	137.40	+0.1	123.83	136.13	+0.2	3.41	137.20	123.28	135.88	146.66	112.79	117.55
Europe Ex. UK (683)	128.96	−2.1	116.22	116.19	−1.1	2.68	131.66	118.30	117.44	134.66	96.30	100.00
Pacific Ex. Japan (212)	136.37	+0.1	122.90	120.60	+0.0	4.79	136.21	122.39	120.58	140.05	111.93	130.77
World Ex. US (1849)	163.02	−1.2	146.92	148.25	−0.7	1.74	165.01	148.27	149.31	173.77	141.49	158.37
World Ex. UK (2085)	152.26	−0.7	137.23	144.69	−0.3	2.05	153.28	137.73	145.14	162.00	136.98	141.26
World Ex. So. Af. (2331)	152.22	−0.8	137.19	144.18	−0.4	2.26	153.38	137.82	144.78	161.84	136.67	141.21
World Ex. Japan (1936)	139.54	−0.7	125.76	132.70	−0.4	3.46	140.52	126.26	133.23	145.52	114.51	117.29
The World Index (2391)	152.65	−0.8	137.58	144.33	−0.4	2.27	153.83	138.22	144.94	162.05	136.63	141.07

Latest prices were unavailable for this edition.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 2047

Treasury 9% Ln 2008 "B" - £91⅝ (15Ja90)

Corporation and County Stocks

No. of bargains included 6

London County 2½% Cons Stk 1920(or after) - £24 (12Ja90)

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

2019 - £98¾ 9
16¾% Ln Stk 2011 - £137⅞ (16Ja90)
Petroleos Mexicanos 14½% Ln Stk 2006 - £92
Portugal(Rep of)9% Ln Stk 2016(Reg) - £76¾ ⅞
Province de Quebec 12¾% Ln Stk 2020 - £105 ⅞ (17Ja90)
Spain(Kingdom of)11¾% Ln Stk 2010(Reg) - £101
Sweden(Kingdom of)9¾% Ln Stk 2014(Reg) - £88¾
9¾% Ln Stk 2014(Br) - £88 (16Ja90)

Banks and Discount Companies

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Sterling Issues by Overseas Borrowers

Insurance

Investment Trusts

Financial Trusts, Land, etc

Unit Trusts

Mines - Miscellaneous

Mines - South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water

Miscellaneous Warrants

USM Appendix

The Third Market Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Calmer close to an erratic week

AN ERRATIC trading week in the London stock market closed on a calmer note yesterday, helped by steadier performances in Tokyo and New York and relatively comforting news on domestic inflation. UK stocks recovered an early fall of 17 Footsie points, closing little changed on the day as Wall Street made a firm start to the new session.

Most investors were content to leave equities alone yesterday, after struggling to contend with wild swings in share prices over the past week. Trading volume was low and only a *handful of special situations* caused any excitement.

Account Dealing Dates

*First Dealings:		
Dec 27	Jan 15	Jan 29
Option Declarations:		
Jan 11	Jan 25	Feb 8
Last Dealings:		
Jan 12	Jan 26	Feb 9
Account Day:		
Jan 22	Feb 5	Feb 19

*New time dealings may take place from 9.00 am two business days earlier

The 7.7 per cent annualised rise in the Retail Price Index in December was well towards the lower end of analysts's forecasts; the rise of £10.3bn in domestic bank and building society lending for the month was considerably higher than *anticipated. The general view* among equity strategists was that the data did little to alter the overall opinion on inflation prospects.

Equities opened higher in response to a better overnight performance from Wall Street than expected, but soon faded when buyers failed to appear. Share prices crumpled when the bank lending figures were announced, taking the Footsie down to just below 2,320, some 20 points or so from the lower end of the new trading range specified by strategists at some leading firms.

In the *absence* of significant selling, the market recovered despite a narrowing in the pre*mium on the FT-SE futures* contract against the underlying Index. At the close, the FT-SE Index was only 1.9 off at 2,335. The first week of the two week equity account has seen the Footsie fall by 45.1 points, or 1.9 per cent, on growing nervousness on both domestic and international fronts. The Index is now 5.2 per cent off the all-time peak established on January 3.

An important factor unsettling equities has been the rise in the yield gap between UK Government bonds and ordinary shares, which now stands at 6 per cent (see chart), at the high end of averages for the past five years. However, not *all strategists accept the bear*ish implications of the current yield gap, however. At Smith New Court, Paul Walton said that Gilts were overbought, and equity dividends about to rise; the two factors could reduce the yield gap to around 5.6 per cent in time for what could well prove a tight budget in early March.

UK equities are expected to remain sensitive to trends in New York and Tokyo. "Inflation worries will not go away, and there are few positive factors around on the domestic side," said Mr John Reynolds at County NatWest. Yesterday's rally underscored recommendations by some analysts *that equities should be bought* as the FT-SE Index approaches the 2,300 mark.

FINANCIAL TIMES STOCK INDICES

	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.58	81.04	81.62	82.38	82.39	88.15	89.29 (8/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.50	91.89	92.33	92.46	92.39	96.92	99.59 (15/3/89)	91.50 (19/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1868.0	1864.4	1895.3	1875.7	1896.9	1563.3	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	329.4	342.9	351.4	355.8	349.4	164.3	355.8 (16/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2335.0	2336.9	2373.9	2349.1	2366.2	1917.5	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.57	4.58	4.50	4.55	4.50	4.70				
Earning Yld %(full)	11.15	11.18	10.99	11.10	10.98	11.82				
P/E Ratio(Net)(☆)	10.86	10.83	11.02	10.90	11.02	10.23				
SEAQ Bargains(5pm)	25,111	24,923	26,290	28,279	27,013	33,326				
Equity Turnover(£m)†	-	914.99	831.94	892.43	749.48	1728.10				
Equity Bargains†	-	24,565	25,186	27,723	27,791	36,643				
Shares Traded (ml)†	-	374.5	364.5	352.5	314.6	698.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 ☆ Nil 10.81

Ordinary Share Index, Hourly changes Day's High 1876.6 Day's Low 1854.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1874.0	1870.2	1868.0	1860.0	1856.0	1859.5	1860.5	1863.1

FT-SE, Hourly changes Day's High 2349.3 Day's Low 2319.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2346.2	2340.0	2338.2	2325.9	2321.3	2326.5	2326.5	2330.1

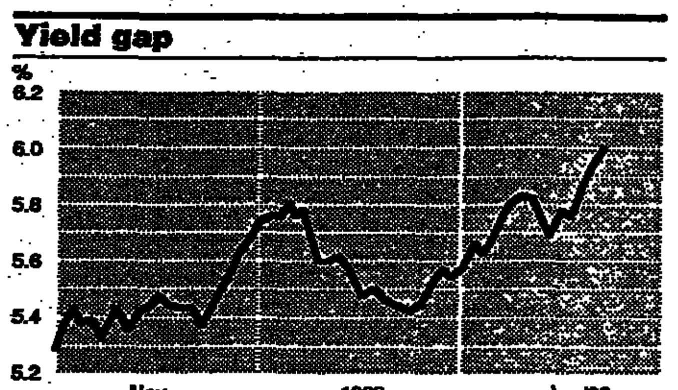
GILT EDGED ACTIVITY

Indices*	Jan 18	Jan 17
Gilt Edged Bargains	102.5	95.7
5-Day average	95.0	91.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

Legal cheer for Guinness

Yield gap



Guinness advanced firmly after news of victory in a Paris court for Mr Bernard Arnault, chairman of LVMH, the French drinks and luxury goods company. The court rejected a suit for the cancellation of a block of LVMH shares held by Mr Arnault in association with Guinness.

LVMH has 12 per cent of *Guinness and has indicated it* would like the crossholding to be symmetrical, a position interpreted by analysts and dealers as guaranteeing demand for the stock in the medium term. Most say that Guinness is likely to issue shares to LVMH at a premium to the market price.

Guinness climbed 13 at one point before there were indications that there might be an appeal. The shares ended 10 better on the day at 673p. Turnover was a good 2.6m shares.

Hoskyns advance

Shares of **Hoskyns**, the largest UK software and services company, rose after news that the company's majority shareholders have decided to start talks which could lead to a full-scale takeover of Hoskyns.

GEC and West Germany's Siemens together have a 73 per cent stake in Hoskyns, inherited when the two groups won control of Plessey, the UK electronics group, after a bitter takeover battle last year. Plessey won control of Hoskyns in 1988, paying 410p a share, or some 27 times earnings.

Hoskyns shares, which have gained ground against the market trend over the past few ses*sions, raced up to 336p* yesterday before closing a net 55 higher at 328p, with the market speculating that a successful bid for Hoskyns would have to be in the region of 400p.

There was no shortage of names put forward as potential bidders. Specialists said that among UK groups anxious to acquire the company could be STC, owner of ICL, the computer manufacturer, Racal Electronic and *Cable* & Wireless. Likely interested parties in the US are said to be Istel, owned by AT and T, and EDS, the computer arm of General Motors.

There were a few outstanding performers in the water stocks, as institutions continued to switch portfolios. Yorkshire rose strongly late in the day, adding 6½ at 170p, on 1.8m while Anglian attracted plenty of interest, ending 3½ firmer at 168p, on 4.5m. A number of substantial individual *trades, including one of 1m* shares, contributed to good turnover of 5.2m in North West, which hardened to 157p.

The oil and gas stocks were broadly lower for much of the day but rallied strongly towards the close.

British Gas, hit on Thursday by the first of what traders thought might be a series of profits downgradings owing to the warm weather, made an *early attempt at a rally, touch*ing 223p at one point, but later fell back to close a further 3 off at 218p on turnover of 5.6m shares.

BP, 328p, after 323p, closed marginally up on the day, on turnover of 5.8m after Kleinwort Benson, the securities house, reiterated its positive stance on the oil sector with BP their first choice among the oil majors. **Shell**, described by *Kleinwort as "attractive for* long-term funds," ended the day 3½ higher at 462p.

LASMO, an erratic performer since news released earlier this week of an oil discovery in Syria, moved up 11 to 575p. Marked down to 653p early on, **Burmah** subsequently picked up to show a minor gain on the day at 659p.

There was no stopping US buyers of **Reuters**, and the *shares climbed another 27 to* 1046p. Dealers said that US-owned securities houses in London were bidding for stock.

Saatchi and Saatchi recovered, also on US buying, to *close at 245p, up 14. But inter*est from the same source in **Glaxo** and **Hanson** was balanced by UK selling. Their shares closed 2 down at 741p and unchanged at 229½p respectively. Turnovers were good, at 3.5m and 6.9m.

Banks were much quieter after the excitement on Thursday triggered by confirmation of the sale for almost £1bn of the Yorkshire Bank *to National Australia Bank and* also the profits warning from **Standard Chartered**. The latter held at 551p on pitifully thin turnover of 354,000 shares. The big-four banks tended to drift, with sentiment slightly unsettled by news of wage claims of up to 14 per cent by the banking unions. **Barclays** slipped 3 to 555p while **Lloyds**, 293p and **Midland**, 366p, were down 4 apiece.

Allied Irish Bank, whose US subsidiary First Maryland Bank revealed better than expected fourth quarter results earlier in the week, advanced 11 more to 275p. Much of the interest in life assurances was confined to switching activity between the leaders, **Prudential**, **Legal & General** and **Lloyds Abbey**. The latter set*tled 2 ahead at 389p but* Prudential were 3 off at 216p, after *213p and Legals 7 down at* 389p. Elsewhere, **PWS**, the insurance broker, rose 7 more to 72p, still helped by the recent good results. **Sturge** added 5 to 292p also boosted by recent good figures.

Renewed bid *talk* made **Ranks Hovis McDougall** the second best performer in the FT-SE 100 index. Dealers said the speculation had focused on the possibility of Sunningdale selling its 29.9 per cent stake to French and US companies. "With a decision on Hoylake's bid for BAT's US insurance interests still to be made these stories are bound to come out. It's so easy to get the stock moving at the moment," one dealer said.

Mr Carl Short of Kitcat & Aitken added: "There is a growing belief in the market that Sunningdale will seek to realise the value of its stake in *RHM at some stage during* 1990. This could involve a bid for a break up of RHM." Mr Short calculated RHM's break up value of 550p a share. RHM closed 14 higher at 452p.

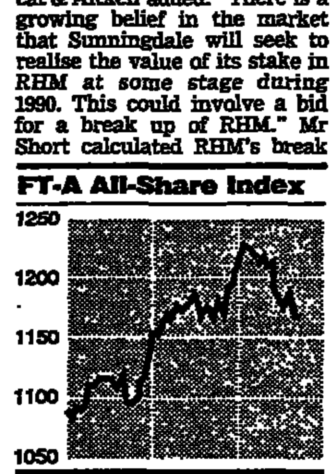
Reject Shop fell sharply after *the company announced it had* fallen into £255,000 loss at the interim stage, after £277,000 profit last time. They lost 15 to 55p. Mail order house **N Brown** had a rare burst of activity on the back of analysts' recommendations. They closed 8 up at 174p.

Avon Rubber took another knock from their highs of Wednesday, after announcing plans for future joint ventures *with Trelleborg of Sweden.* This was seen as making an outright bid less likely, and the shares were marked down to 475p before a subsequent rally to 485p, 23 down for the day but still up 58 for the week.

FKB continued to weaken in the wake of a profits downgrading from S.G. Warburg. The shares shed another 27 to 166p.

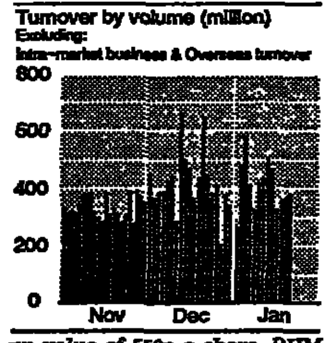
Bunzl and **Emap** stayed firm in a continuing *shortage* of stock. Both firmed a penny to 114p and 230p respectively.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



David S Smith fell 5 on a *cautious statement accompany*ing a standstill in profits at the interim stage. But the shares recovered by the close to 332p, a penny cheaper on the day.

County NatWest WoodMac increased its profits forecast for Pearson by £7m after a meeting with the company. The new figure of £230m is in line with other analysts' estimates. The shares firmed 2 to 731p.

MEPC faired the worst of the leading property shares, bearing the brunt of the day's selling and finishing 8 lower at 510p. **Sheraton Securities** jumped 10 to 76p on takeover speculation.

Alfred McAlpine moved up strongly to close 13 higher at 354p after French construction group Dumez said it intended to increase its stake in McAlpine from the current level of 4.7 per cent to 12 per cent and co-operate with McAlpine on large projects in the UK. **Higgs & Hill** retreated 5 more to 408p as the hard-fought takeover battle with YJ Lovell drew to a close.

*Ferranti, thumped on Thurs*day after news that Thomson-CSF was not interested in bidding for the troubled UK defence electronics company, steadied and eventually settled 1½ higher at 27½p after 22m shares changed hands; dealers said the bulk of the interest in the stock came from speculators hoping for a last-minute rescue of the company before the £87m rights issue is trig*gered next month.*

Cable & Wireless closed 3 off at 547p after being as low as 533p early in the session. BZW altered its view on the stock from buy to hold, saying the recent good news concerning the purchase of a 20 per cent stake in Hong Kong Telecom, with 16.5 per cent coming from C & W's 75.2 per cent holding, was now all in the price. "The rating remains demanding," says BZW.

Dale Electric dropped 12 to 90p after the poor figures and the profits warning.

The Hoskyns bid story trig*gered a wave of buying interest* in other software groups, with **Logica** outstanding and finally 20 ahead at 343p. Sema edged up 2 to 364p. Further thoughts on Anglia TV's results on Thursday helped the shares recover 4 to 263p.

BOC performed better than the market, the shares adding 3 to 531p. Analysts attributed this to the bullish statement made by Sir Richard Giordano, *the chairman, at the annual* meeting on Thursday, and recent positive notes on the company from County NatWest WoodMac and Kleinwort Benson.

Laporte also strengthened against the trend buoyed, in the opinion of analysts, by recent meetings with institutional investors. The shares increased 2 to 510p, having reached 512p, on thin volume.

The worst casualty of the day in the chemicals sector was **Rechem Environmental Services**, the waste disposal company, which issued a prof*its warning and saw the share* price sink by 150 to 503p before closing at 508p. Analysts said that the shares were highly rated, partly because the company was seen as being in a good position to benefit from growing concern over environmental issues. Mr Andrew Benson of Robert Fleming said: "A lot of the profit growth is coming out of margin improvements and the underlying sales *growth is relatively modest."*

ICI did well towards the end of the day, climbing 6 to close at 1128p. Marketmakers said the price rise was driven by demand in the traded options market, but volumes in neither were spectacular with 1.7m shares traded and contracts for the equivalent of 1.5m shares exchanged.

Vickers shares continued their frisky progress of the past week, rising 11 at one point before moving back to finish 9 firmer at 224p. Continued speculation about a possible bid from Sir Ron Brierley, *the New Zealand entrepreneur*, maintained its popularity among marketmakers on an otherwise drab day. On Tuesday, the Vickers chairman said Sir Ron's 17.25 per cent stake was not in the interest of Vickers or its shareholders.

London International stocks endured a bad day, dropping steadily from 234p to 224p. No significant institutional selling, or profit-taking, was reported. *One marketmaker said: "They* probably had a few on their books and got rid of them through nervousness."

Other Market statistics, including the FT-Actuaries share index **Page 18**, London Traded Options, and recent issues (including the water issue stocks) **Page 11**

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	978	308	+5
ASDA Group	2,000	113	+1
Abbey National	1,500	177	
Allied-Lyons	2,400	508	+8
Amstrad	2,500	54	
Argyll Group	3,700	214	
Ass. Brit. Foods	436	410	+1
BAA	2,000	376	
BAT Inds.	1,000	823	+4
BET	1,100	250	-3
BICC	299	451	-4
BOC	748	531	+3
BPB Inds.	1,400	230	-6
BTR	1,400	442	-5½
Barclays	671	555	-3
Bass	290	1056	+3
Beazer	341	170	+1
Berisford Int.	232	141	+2
Blue Arrow	1,000	93½	-½
Blue Circle	897	249	+3
Boots	971	270	-1
Brit. & Comm.	218	91	-1
Brit. Aerospace	347	543	+2
British Airways	1,700	207½	+½
British Gas	5,600	218	-3
British Land	54	401	+1
BP	5,800	328	+1
British Steel	2,500	131½	-½
British Telecom	4,500	290	-2
Bunzl	232	114	+1
Burmah Oil	337	659	+1
Burton	1,100	204	
Cable & Wire.	2,800	547	-3
Cadburys	1,500	346	+2
Calor Group	529	357	
Carlton Comms.	248	762	+2
Coats Viyella	911	142	-3

	Volume 000's	Closing Price	Day's change
Comm. Union	594	488	+2
Cookson	839	274	-4
Courtaulds	753	373	-1
Dalgety	258	399	+2
Dixons	815	128	+1
Eng. China Clays	106	443	-2
Enterprise Oil	567	642	-3
FKI	422	81	
Ferranti	22,000	27½	+1½
Fisons	1,100	342	
Gen. Accident	332	1113	-4
General Elect.	1,600	233½	+1½
Glaxo	3,500	741	-2
Globe Inv.	1,300	178	-3
Glynwed Int.	198	248	+1
Granada	335	336	+1
Grand Met.	2,000	620	+6
GUS A	297	1032	-5
GRE	636	238	-2
GKN	287	426	+2
Guinness	2,800	673	+10
Hammerson 'A'	119	788	-12
Hanson	6,900	229½	
Hanson Warrants	321	59	+½
Harrisons Cros.	193	154	-1
Hawker Sidd.	518	694	+8
Hillsdown	1,300	276	+2
IMI	184	227	-1
ICI	1,700	1128	+6
Inchcape	551	286	
Jaguar	12	849	
Kingfisher	491	288	-2
Ladbroke	790	323	+1
Land Securities	1,000	511	-4
Laporte	61	510	+2
Legal & General	1,700	389	-7
Lloyds Abbey	577	317	+6

	Volume 000's	Closing Price	Day's change
Lloyds Bank	1,200	293	-4
LASMO	925	575	+11
Lonrho	2,600	311	+1
Lucas	291	643	+4
MB Group	823	219	+3
MEPC	550	510	-8
Marks & Spencer	1,100	197	-1
Maxwell Comm	500	215	-1
Mecca Leisure	364	163	+2
Midland Bank	771	366	-4
NatWest Bank	2,000	548	-2
Next	2,700	98	
Northern Foods	219	309	-1
Pearl	0	588	
Pearson	240	731	+2
P & O	1,000	616	-9
Pilkington	1,300	228	
Polly Peck Intl	1,100	403	-3
Prudential	2,600	216	-3
RHM	2,200	452	+14
RMC	70	884	-4
RTZ	2,700	544	-4
Racal	1,500	231	+2
Racal Telecom	2,000	362	+4
Rank Org.	918	843	-1
Reckitt & Colman	147	1231	-5
Redland	401	575	
Reed Intl.	1,300	434	+1
Reuters	968	1046	+27
Rolls Royce	1,700	180	-1
Rothmans	433	806	-10
Ryl Bk Scotland	792	290	-1
Royal Insurance	1,200	527	-4
STC	2,700	261	-7
Saatchi	292	245	+14
Sainsbury	489	262	
Scottish & New.	254	336	+3

	Volume 000's	Closing Price	Day's change
Sears	2,300	105	
Sedgwick	911	289	+1
Shell Transport	3,700	462	+3½
Siebe	22	479	
Slough Ests	22	324	-1
Smith (W.H.) A	250	328	
Smith & Nephew	4,100	128	-2
SmKl Beecham	1,000	579	+2
SmKl Beecham Units	20	2588	+28
Smiths Inds	967	285	
Standard Charte.	354	552	+1
Storehouse	2,000	115	
Sun Alliance	455	321	-2
Sun Life	12	1298	+3
T&N	82	207	-1
TI Group	224	421	+1
TSB	2,800	130	-½
Tarmac	1,800	253	+3
Tate & Lyle	2,000	303	+6
Taylor Woodrow	334	296	
Tesco	1,700	194	+2
Thames Water	1,900	154½	-½
THORN EMI	427	763	-5
Trafalgar House	758	362	-3
Trusthouse Forte	1,400	292	+3
Ultramar	2,200	359	-2
Unigate	1,100	334	-3
Unilever	593	678	+5
United Biscuits	2,400	341	-4
Utd Newspapers	90	437	-1
Wellcome	744	706	-10
Whitbread 'A'	5,018	434	-1
Williams Hldgs.	353	239	+1
Willis Faber	155	276	
Wimpey	688	248	+7

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (22). BRITISH FUNDS (1) BANKS (2) ELECTRICALS (4) ENGINEERING (1) HOTELS (1) INDUSTRIALS (5) CSR, Dyson (J&J), Photo-me, INSURANCE (2) MOTORS (1) PAPERS (1) TRUSTS (2) OILS (2) OVERSEAS TRADERS (1) MINES (1).
NEW LOWS (85). BRITISH FUNDS (43) AMERICANS (1) CANADIANS (2) BANKS (7) BREWERS (1) BUILDINGS (3) STORES (2) ELECTRICALS (2) ENGINEERING (1) FOODS (2) INDUSTRIALS (1) London Finance & Invs., LEISURE (1) PAPERS (5) PROPERTY (7) TEXTILES (1) TOBACCOS (1) TRANSPORT (1) OILS (2) MINES (1).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	85	11	4	102	377	21
Corps. Dom. & Foreign Bonds	18	2	20	29	56	115
Industrials	364	319	928	1,451	2,463	4,153
Financial and Props	141	167	389	604	1,246	1,635
Oils	27	25	41	123	130	213
Plantations	0	0	10	4	8	38
Mines	23	62	75	193	252	355
Others	74	73	108	316	401	535
Totals	732	659	1,575	2,824	4,933	7,065

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday January 18 1990

Gold Mines Index	+	10.93
Packaging & Paper	+	5.02
Conglomerates	+	1.05
Electronics	+	*0.76*
Engineering-General	+	0.52
Agencies	-	0.11
Water	-	0.44
Motors	-	0.77
Merchant Banks	-	0.86
Food Retailing	-	0.97
Chemicals	-	1.10
Stores	-	1.37
Contracting,Construction	-	1.38
Brewers and Distillers	-	1.43
Textiles	-	1.58
Other Groups	-	1.75
Transport	-	1.80
Capital Goods	-	1.88
Banks	-	1.92
Building Materials	-	2.06
Industrial Group	-	2.20
Electricals	-	2.35
Metals & Metal Forming	-	2.60
500 Share Index	-	2.67
Consumer Group	-	2.69
Leisure	-	2.71
All Share Index	-	2.90
Property	-	2.94
Food Manufacturing	-	3.65
Financial Group	-	3.65
Other Industrial Materials	-	3.85
Publishing & Printing	-	3.88
Telephone Networks	-	4.35
Investment Trusts	-	4.64
Insurance(Brokers)	-	4.75
Overseas Traders	-	4.87
Health & Household Products	-	4.96
Insurance(Life)	-	5.34
Engineering-Aerospace	-	5.37
Oil & Gas	-	5.49
Insurance(Composite)	-	8.63

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-27	+8/32	12.58	12.18	11.87
		10.500	5/99	95-25	+12/32	11.25	10.92	10.71
		9.000	10/08	89-28	+20/32	10.14	9.98	9.72
US TREASURY *		7.875	11/99	97-10	+8/32	8.17	8.02	7.80
		8.125	8/19	97-30	+13/32	8.20	8.10	7.85
JAPAN	No 111	4.800	6/99	88.9860	+1.065	6.72	6.20	5.59
	No 2	5.700	3/07	93.5350	+1.077	6.59	6.03	5.47
GERMANY		7.125	12/99	96.1000	-	7.71	7.53	7.18
FRANCE	BTAN	8.000	10/94	91.4930	-0.500	10.29	10.19	9.74
	OAT	8.125	5/99	91.2600	-0.050	9.55	9.52	9.14
CANADA *		9.250	12/99	96.0500	+0.100	9.86	9.75	9.53
NETHERLANDS		7.250	7/99	92.6200	-	8.39	8.17	7.76
AUSTRALIA		12.000	7/99	94.0650	-0.335	13.09	12.93	13.07

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
11	Nil	-	1½pm	½pm	‡Audio Fidelity 10p	1pm	-¼
18	Nil	-	10pm	6¼pm	Aviva Petroleum	10pm	+¼
280	Nil	-	27pm	22pm	Cook (Wm.) 20p	22pm	-2
100	Nil	-	8pm	2pm	Medirace 10p	2pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ττ Reintroduction. ‡ Unlisted securities market. * Third Market.

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
-	F.P.	-	85p	73p	Bear Brand 10¼pc (Net) Cv.Cm Pf	78p	
98.94	F.P.	-	99¾	94¼	British Inv. Tst. 11⅛pc Sec. Db 2012	94¼	-2⅛
89.65	£30	-	30¼	28⅝	Brixton Ests. 10⅝pc 1st Mtg Db 2012	28⅝	-⅜
§99.68	F.P.	-	100½	95¾	Foreign & Col. 11¼pc Db. 2014 £100	95⅞	-2¼
§	£50	-	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln.1999	55	
100	F.P.	-	100	97	Omnitech 12pc Cv.Uns.Ln 2000	97	

TRADITIONAL OPTIONS

- First Dealings Jan 8
- Last Dealings Jan 19
- Last Declarations Apr 5
- For settlement Apr 17

For rate indications see end of London Share Service

Calls in: Ferranti Intl., Rolls-Royce, Amber Day, Atlantic Res., Babcock Intl., Sempernova, Cookson Group, Highland Dist., ICH Corp., Saatchi & Saatchi, Lonca.

COMMODITIES

WEEK IN THE MARKETS

Bear sentiment depresses metals

THE MAIN influences on commodity price movements are fundamental supply and demand news, technical factors such as chart patterns and market "sentiment." And when it comes to a straight fight it is usually sentiment that comes out on top.

A classic illustration of the potency of this factor is provided by a comparison between the London Metal Exchange copper market's performances this week and in the corresponding week last year.

In January 1989 copper market sentiment was clearly bullish and the mere threat of a renewed miners' strike in Peru was enough to push the cash price on the LME up by £65.50 *to £1,935 a tonne in the week to* January 20.

This week, however, news of the closure of Papua New Guinea's big Ok Tedi mine was not considered serious enough to prevent a largely sentiment-driven fall of £64.50 to a 16-month low of £1,388 a tonne.

Ok Tedi's closure, caused by a rebel landowners' blockade of the mine's access road, would take something over 100,000 tonnes of copper off the market on an annual basis. And together with the closure since last May of PNG's Bougainville mine – because of a rebel sabotage campaign – it means that the country's copper production losses are currently running at more than 4 per cent of non-communist world supplies.

On the side of the bears, however, are flagging world industrial growth and continuing high interest rates, the main influences on current market sentiment. In addition stock levels are somewhat higher than they were a year ago, though the 106,200-tonne reserve held in LME registered warehouses (compared with 72,450 tonnes last January) could hardly be described as copious.

Neither could the 87,200-tonne zinc stock, but the fact *that this is more than double* the year-ago level does go some way to explain the depressed state of this market. Nevertheless, it is testimony to the strength of current bear sentiment that news of the closure, because of falling prices and high production costs, of Cominco's big Kimberley mine in British Columbia did not even interrupt this week's price slide. The cash position for the LME's special high grade contract fell $24.50 to $1,250 a tonne – the lowest level since the position was first quoted in November 1988.

Another LME market to ignore apparently bullish fundamental news this week was tin. In Brazil the closure has been ordered of two of the largest tin mines in the world, Paranapanema's Pitinga operation and Bom Fuuturo, which is operated by independent prospectors.

Both orders were based on environmental considerations. One court ruled that Pitinga's access road had to be closed because it threatened local indian tribes, while another insisted that Bom Futuro's operators *could not* resume mining until they built dams to prevent sludge fouling nearby rivers.

On the LME, however, the cash tin price fell $140 on the week *to* $6,550 a tonne.

There was no fundamental news to confuse nickel traders this week and the market extended its lead in the LME's downhill race.

The cash position established a fresh two-year year low at $6,667.50 a tonne before steadying to $6,675 yesterday, still $850 down on the week. But with most nickel producers still making money at that level and the stainless steel market showing no sign of a resurgence analysts say nickel's bear run could still have some mileage in it.

Aluminium was another big loser. After a failed attempt to regain the $1,550-a-tonne level (for three months metal) in mid-week traders *quickly* switched to a fresh challenge of support around $1,500 a tonne and the price ended the week $52.50 down at $1,516.50 a tonne. The cash price closed yesterday with a $64.50 fall on the week at $1,495.50 a tonne – a 31-month low.

Among the soft commodities sugar edged lower after recent gains, nearby coffee positions settled in to fresh low ground below £600 a tonne in response to what traders described as "technical" factors and cocoa lost last week's rise. The May cocoa price closed last night at £636 a tonne, down £23 on the week.

According to a Reuter report quoting London traders the Ivory Coast, the world's biggest producer, has cut the export price for its current cocoa crop by *FFr40 to FFr600* per 100 kg, equivalent to about £630 a tonne, in an effort to unload mounting stocks. A few traders said they had heard of prices as low as FFr585 per 100 kg. Estimates of how much had been sold at the lower price varied between 10,000 and 25,000 tonnes.

Richard Mooney

APPOINTMENTS

British Rail Scottish director

■ **Mr Cyril Bleasdale**, general manager of the London Midland region of BRITISH RAIL, has been appointed director ScotRail, a new post combining all activities required for Scottish internal passenger services. Mr John Ellis, general manager, ScotRail, will join the director Network SouthEast and the general manager, Southern region, in developing the management structure for *Network SouthEast.* **Mr Ivor Warburton**, operations director, BRHQ, takes over as the general manager, London Midland region in Birmingham. **Mr Bob Goundry** moves to BRHQ to take charge of provincial strategy studies, and is succeeded as provincial manager Midland by **Mr Chris Leah**, provincial manager, ScotRail. These changes are from February 12.

■ The ENGLISH GLASS CO has made **Mr Paul Taylor** its managing director of Englass Dispensing and Packaging Systems. He joins from Matchbox Toys, where he was managing director of the Italian subsidiary based in Milan.

■ STANDARD LIFE has appointed **Mr Glynn Anderson** as area manager, Leicester.

■ FORGED ROLLS (UK), part of the Sheffield Forgemasters Group, has appointed **Mr Roger Ellis** as sales director. He was export sales manager at sister company Special *Melted Products.*

■ **Mr Bryan J. Wakeham** has been appointed chairman of JEFFREYS COATES AND ASSOCIATES.

■ EVANS OF LEEDS has appointed **Mr W.M. Gibson** and **Mr D.A. Helliwell** to he main board.

■ UBS ASSET MANAGEMENT (UK) has appointed **Mr David Hammond** as finance director. He was finance director of EBC Amro Bank.

■ *COLLEGE HILL* (UNDERWRITING AGENCY), performance bond underwriters for the Aegon Insurance Group, has appointed **Mr Tim Higgins** as chairman and **Mr Harold Livesey** as managing director. **Mr Trevor Jones** and **Mr Andrew Ray** become main board directors.

■ XEROX ENGINEERING SYSTEMS has appointed **Mr John Gover** as sales director. He was with Rank Xerox (UK).

■ SOFTWARE SCIENCES has appointed **Mr Christopher Birks** as managing director of its commercial and financial business. *He was managing* director of Plexus Computers.

■ **Mr Mike Wallbridge** has been appointed commercial director of BUTLIN'S Holiday Worlds and Hotels. He was business development director of Mirror Group Newspapers.

■ PEGASUS GROUP has appointed **Mr Paul Jephcott** as group financial controller.

■ BARING ASSET MANAGEMENT has appointed **Mme O. Julian Rameau**, a French citizen resident in Paris, to promote its *international interests.* She also becomes a director of wholly-owned subsidiary Baring International Fund Managers. She was with Robert Fleming and MIM France.

■ **Mr John McIntyre** has been appointed managing director of UPDATE COMPUTERS. He was a non-executive director.

■ LONDON LIFE, Bristol, has appointed **Mr James Divers** as financial controller. He was group finance director, Laurentian Holding Co.

■ **Mr Angus Fisher** has been appointed managing director of PETER PAN PLAYTHINGS, Peterborough, manufacturer of Plasticine and Etch-a-Sketch. He was managing director of Merit Toys, also part of the Bluebird Group.

■ **Mr M.S. Gummer** has been appointed managing director of STEELITE INTERNATIONAL, Stoke-on-Trent. He was director and general manager of H. Bronnley & Co.

■ HASLEMERE ESTATES has appointed **Mr Rafe Clutton**, senior partner of Cluttons, and **Mr Peter Scott**, recently retired director of Sir Robert McAlpine & Sons, as non-executive directors.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	52.95	52.95	56.64	-0.16	4.84
Gilts & Fixed Int	6	109.70	109.70xd	112.00	+0.1	8.93
High Inc Equity	6	137.00	137.00xd	146.60	-0.4	4.33
Worldwide Bond	6	202.6	202.6	214.6		4.94
Capital Growth						
American Growth	6	189.80	189.8xd	203.0	+0.6	1.08
Asian Pacific	6	125.4	127.9xd	136.5	+1.6	0.96
Assets & Earnings	6	158.7	158.7	169.8	-0.4	2.18
Capital Reserve Acc	0	88.39	88.39	88.51	+0.1	6.78
Capital Reserve Inc	0	78.44	78.44	78.54	+0.09	7.64
Comdty & Energy	6	119.1	119.1	127.4	-0.6	1.49
Dividend & Growth	6	46.86	47.86	50.92		4.42
1992 Enterprise	6	62.60	62.60	66.96	+0.15	2.48
Euro Capital Acc	6	99.85	100.6	107.1	-0.7	0.70
Euro Capital Inc	6	96.23	97.00	103.2	-0.7	0.73
General	6	179.7	179.70	192.2	-0.7	2.60
International	6	61.45	62.30xd	66.28	-0.3	0.75
Japan	6	114.5	114.5	122.5	-0.7	0.00
Mastertrust	6	92.12	92.12	98.53	-0.38	1.73
UK Growth Acc	6	183.5	183.5	196.3	-0.4	1.62
UK Growth Dist	6	121.3	121.3	129.8	-0.3	2.45
US Emerging Cos	6	53.54	53.54	57.27	-0.3	0.00
Income & Growth	6	306.30	306.20	327.5	-0.9	3.13
Ethical	6	48.41	48.41	51.78	-0.42	1.93
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	32.29	32.29	34.47	-0.12	3.07
European	5¼	81.52	81.71	87.23	-1.67	0.00
European Income	5¼	77.98	78.13	83.40	-0.96	1.97
Exempt	1	767.9	767.9xd	798.7	-0.80	1.60
Extra Income	5¼	44.29	44.29xd	47.28	-0.10	4.16
F East Emerg Ecns	5¼	64.80	65.59	70.25	+0.03	0.02
Fund Inv Tst	5	129.0	134.6	143.7	-0.50	1.64
Do Accum	5	202.2	211.1	225.3	-0.80	1.64
Gilt & Fixed Int	5¼	19.58	19.99xd	21.34	-0.17	11.54
Income & Growth	5¼	72.78	72.78	77.70	-0.20	3.54
Intl Income	5¼	66.06	66.06xd	70.52	-0.03	4.49
Japan	5¼	201.6	201.6	215.2	-0.90	0.00
Pacific Inc 10-11	5¼	46.22	46.37	49.66	-0.17	0.01
Secure Income	5	194.4	194.4xd	207.5	-0.40	5.57

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Providence Capital Fd Mgrs Ltd — Contd.						
UK Money Mkt Acc	0	52.02	52.02	52.02	+0.02	14.00
UK Money Mkt Inc	0	52.02	52.02	52.02	+0.02	14.00
Thailand Inc	5	59.44	59.44	63.71	+0.12	0.34
Thailand Acc	5	59.44	59.44	63.71	+0.12	0.34
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	123.0	123.0	130.8	-0.7	3.38
PM Income & Gth	5	99.30	99.30	105.6	-0.5	4.14
PM Nth Amer Gth	5	57.35	57.35	61.01	+0.28	1.24
PM European Gth	5	63.37	63.37	67.41	-0.99	0.66
PM Japan Gth	5	79.31	79.34	84.40	+0.31	0.29

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scottish Mutual Inv Mngrs Ltd (1000)F						
109 St Vincent St, Glasgow G2 5HN 041-248 6100						
UK Equity	5¼	249.7	256.3xd	272.7	-0.8	3.18
UK Smllr Cos Eqty	5¼	221.0	229.9xd	244.6	-0.2	3.20
Managed Income	5¼	48.29	48.56	51.94	+0.1	7.60
UK Growth	5¼	48.22	48.58	51.96		7.57
Selective Oppunity	5¼	48.72	49.52	52.97		5.36
UK Spec Sits	5¼	67.02	69.32	73.75	-0.2	1.36
Income Plus	5¼	63.58	65.02	69.18	-0.1	6.63
European	5¼	272.3	279.2	297.1	-1.9	1.06
Far Eastern	5¼	86.55	88.26	93.90	-0.2	2.42
Japanese †	5¼	63.88	65.10	69.25	+0.3	0.00
North American	5¼	155.0	156.7	166.8		1.85
Intl Growth	5¼	153.8	156.6xd	166.6	-0.2	1.38

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	6	154.3	154.3	165.0	-0.6	0.00
Smaller Cos	6	160.4	160.4xd	171.6	+0.3	2.62
(Accum Units)	6	179.5	179.5	192.0	+0.2	2.62
Meridian Income	6	110.3	110.3xd	118.0	-0.5	3.91
(Accum Units)	6	116.0	116.0	124.1	-0.6	3.91
Meridian Growth	6	121.0	122.0	130.5	-0.6	2.03
Midland Personal Pension Unit Trust *						
British	6	63.09	63.80	67.87	(z)	3.19
European Growth	6	70.06	70.20	74.68	(z)	0.80
Gilt & Fixed	6	50.26	50.30	53.54	(z)	8.98
Income	6	57.38	58.40	62.13	(z)	4.55
Japan Growth	6	58.59	58.97	62.73	(z)	0.00
Managed	6	58.40	59.38	63.17	(z)	2.30
Money Market	6	56.37	56.37	59.75	(z)	12.86
North American	6	58.62	59.77	63.58	(z)	0.00
Midland FSAVCS Unit Trust *						
British	6	58.37	59.11	62.88	(z)	3.19
European Growth	6	67.01	67.11	71.39	(z)	0.80

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Japan Acc	5	121.30	121.3	129.9	-0.7	0.00
Japan Inc	5	121.0	121.0	129.7	-0.6	0.00
Nth American Acc	5	65.07	65.07	69.22	+0.28	0.93
Nth American Inc	5	62.37	62.37	65.35	+0.28	0.93
UK Equity Acc	5	87.00	87.00xd	93.53	-0.02	3.60
UK Equity Inc	5	78.18	78.18xd	84.95	-0.02	3.60
Worldwide Acc	5	114.2	114.2	122.0	-0.4	0.81
Worldwide Inc	5	109.3	109.3	116.8	-0.4	0.81
UK High Inc Eq Acc	5	83.90	83.90	90.74	-0.02	7.02
UK High Inc Eq Inc	5	72.70	72.70	78.63	-0.03	7.02
Hong Kong Acc	5	44.07	44.07	47.02	+0.36	3.68
Hong Kong Inc	5	42.07	42.07	44.89	+0.35	3.68
Swiss Equities Acc	5	39.74	39.74	42.65	-0.27	0.36
Swiss Equities Inc	5	39.39	39.39	42.28	-0.27	0.36
W'wide Bond Acc	5	55.53	55.53	58.59	-0.33	7.17
W'wide Bond Inc	5	52.83	52.83	55.74	-0.32	7.17
Emerging Asia Acc	5	103.2	103.2xd	110.7	+0.2	0.00
Emerging Asia Inc	5	103.2	103.2xd	110.7	+0.2	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
3 Harbour Exchange Sqre, London E14 9GJ 01-955 5095						
American ‡	5¼	70.02	70.02	74.88	+0.76	1.5
Intl Growth ‡	5¼	82.45	82.45	88.18	-0.25	0.8
Income ‡	5¼	131.5	131.5	140.6	-1.10	4.8
Japan Growth ‡	5¼	242.5	242.5	259.3	+0.20	0.1
Pacific Port ‡	5¼	154.2	154.2	164.9	-0.80	0.1
Small Co's ‡	5¼	133.4	133.4	142.6	-0.80	1.4
Technology	5¼	33.73	33.73	36.07	-0.07	0.1
Australia	5¼	64.49	64.49xd	68.97	-0.06	2.8
UK Trust ‡	5¼	178.6	178.6	192.0	-1.40	2.5
European Growth ‡	5¼	75.23	75.23	80.45	+0.14	0.1
Hong Kong ‡	5¼	33.17	33.17	35.47	-0.19	1.9
Intl Income	5¼	21.72	21.72xd	23.22	-0.06	7.2
S'pore & Mlyn Gth	5¼	40.52	40.52	43.33	+0.13	0.1
British Winners ‡	5¼	26.24	26.24	28.06	-2.12	2.2
Japan Smlr Cos ‡	5¼	33.67	33.81	36.17	-0.13	0.1
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.02	16.27	17.30	-0.18	0.60
Pacific Basin	6	29.97	29.97	31.98	+0.06	0.60
Can Balanced Gwth ‡	6	45.49	45.49	48.39	-0.24	0.10
Ginnie Mae ‡	4	0.9667	0.9667	1.0039	-0.71	7.58
Penny Share	6	28.95	28.95	30.79	-0.16	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	143.9	146.6xd	155.9	-0.9	5.73
Wellington Growth	5¼	237.9	238.3	253.5	-1.6	1.57
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	111.8	116.4	121.2	+1.2	3.98
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ‡ F	2½	61.32	61.32	62.85	+0.05	0.00
Short Dtd Gilt ‡ F	1¼	82.77	82.77	83.90	+0.18	[illegible]
U.S. Govmt Bond ‡ F	1¼	.5794	.5794	.5869	[illegible]	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7511						
Aust Friars W'wide	5	200.6	204.4xd	217.4	—	2.43
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	58.15	58.15	61.95	+0.11	7.44
European	5	81.70	81.70	87.13	-0.57	0.08
[illegible]						

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
AEtna Life Insurance Co Ltd—Contd.				
Bond	414.85	414.85	+0.53	—
Property	245.92	245.92	-0.99	—
Overseas Investment	299.32	299.33	-7.58	—
Pension Funds (Accumulation Units)				
Squirrel	15.95	16.79	—	—
Bear	17.26	18.17		—
Owl	23.01	24.23	-0.06	—
Bull	20.17	21.24	-0.08	—
Stag	19.68	20.72	-0.04	—
Gilt Edged		13.67	+0.02	—
Deposit		15.77	+0.01	—
North American	10.30	10.85	—	—
European	12.16	12.80	-0.14	—
Property	11.94	12.57	-0.03	—
Index-Linked	11.83	12.46	-0.02	—
Far Eastern	14.17	14.92	+0.02	—
UK Equity	15.77	16.60	-0.07	—
Fixed Interest	11.95	12.58	+0.02	—
Gilt Edged (09)	9.89	10.41	+0.01	—
1982 Series				
Managed	297.22	312.87	-1.68	—
Pre 1982 Series				
Aetna Life				
3 Way	706.18	706.19	-8.05	—
Equity Pensions	1231.48	1231.30	-22.51	—
Aetna Pensions Ltd				
3-Way Managed	641.63	641.63	-7.82	—
Exempt Approved				
Mixed Managed	218.33	222.79	-0.73	—
Gilt Edged		13.67	+0.02	—
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	145.3	152.9	-0.1	—
Equity Fd Acc(z)	1071.4	1127.7	-5.5	—
European Fd Acc(z)	285.0	300.0	-4.2	—
Intl Fxd Int Fd Acc(z)	211.2	222.3	+0.1	—
Fixed Int Acc(z)	343.6	361.6	+1.0	—
Gtd Money Fd Acc(z)	246.6	259.5	+0.1	—
High Income Fd Acc(z)	122.7	129.1	—	—
Intl Man Fd Acc(z)	425.4	447.8	—	—
Japan Fd(z)	310.1	326.3	-0.3	—
UK Smllr Co's Fd Acc(z)	114.1	120.0	+0.6	—
European Metro	127.1	133.8	-0.4	—
Global Metro	106.4	111.9	+0.6	—
[illegible]				

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd.	615.7	648.8	-1.7	-
Adventurous Mngd.	135.1	142.4	-0.8	-
Secure Mngd	110.0	116.0	-0.1	-
Cash Fd	245.3	258.5	.....	-
Property Fund	301.5	317.8		-
Equity Fund	699.8	737.5	-1.9	-
Fxd. Int. Fund	295.9	311.9	-1.2	-
International	322.6	343.2	-0.4	-
High Income	441.6	469.8	-2.8	-
Far East	458.1	487.4	-0.3	-
North American	272.7	290.2	+0.1	-
Special Sits	625.3	665.3	-0.6	-
Technology	262.1	278.9	+0.3	-
Extra Inc Fd	273.2	290.7	-5.1	-
Convertible & Gilt Fd	150.7	160.4	-0.3	-
American Income	130.9	139.3	+0.4	-
Gilt Fund 20	294.4	313.2	-1.4	-
European Fund	116.4	123.9	-0.8	-
Pref & Fixed Int.	95.9	101.1	-0.4	-
Equity Income Dist.	99.64	105.0	-0.8	-
Managed Dist.	98.2	103.5	-0.4	-
Pension Funds				
Balncd Gth Mngd Pens Acc.	594.6	625.9	-3.6	-
Adventurous Mngd Pens Acc.	128.7	135.5	-0.8	-
Secure Mngd Pens Acc.	109.7	115.5	+0.1	-
Building Soc. Acc.	261.0	274.8	.....	-
Property Pens. Acc.	309.1	325.4		-
Fix. Int. Pens. Acc.	413.9	435.7	-0.8	-
Equity Pens. Acc.	783.6	824.9	-6.7	-
International Pens Acc.	313.1	329.6		-
High Inc Pens Acc.	493.8	519.8	-3.7	-
Tech Pens Acc.	167.7	176.6	+0.3	-
N American Pens Acc.	188.3	198.3	+0.2	-
Far Eastern Pens Acc.	449.3	473.0	-0.3	-
Special Sits Pens Acc.	518.9	546.3	-0.5	-
Extra Income Pens Fd	331.3	348.8	-6.6	-
Convertible & Gilt Pen.	165.9	174.7	-1.4	-
American Inc Pens.	144.8	152.5	+0.6	-
European Pens.	124.3	130.9	-1.2	-
Managed Cash Pens	120.1	126.5		-
Pref & Fixed Pens	99.6	104.9	-0.3	-
Other Funds				

Royal Heritage Life Assurance Ltd

20 Clifton St. EC2A 4HX 01-920 0202/0733 262524

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Gwth.		508.75	.....	-
Multi Gwth "A"	509.7	535.5	.....	-
Op Prop.	419.0	441.1		-
Op Equity	752.9	792.6	-1.9	-
Op High Yld	345.7	363.9	+2.2	-
Op Man	588.3	619.3	-0.4	-
Op Dep	289.0	304.3	.....	-
Op Inc Dist.	198.3	208.8	-0.6	7.73
Op Int Man	333.3	350.9	-0.6	-
Op Emerging Co's	298.3	314.0	-0.3	-
Pension Funds-Series B				
Property	760.2	800.3	+0.1	-
Equity	1936.8	2038.8	-4.7	-
Fixed Interest	627.2	660.3	+5.2	-
Managed	1032.0	1086.4	-0.9	-
Deposit	560.2	589.7		-
Gartmore Global	189.4	199.4	-0.8	-
Gartmore NA	94.1	99.1	-0.3	-
Gartmore Pacific	256.6	270.2	+1.1	-
Henderson Acc	197.8	208.3	-0.9	-
Perpetual Mng.	200.6	211.2	-0.7	-
Framlington Mng	190.4	200.5	+1.9	-
Gartmore Pen Mngd	193.8	204.1	-0.5	-
Gartmore Pen Euro	155.8	164.0	-0.9	-
Beckman Pension Fund	126.1	132.8	.....	-
Suffolk Cap Pen Fd.	111.6	117.5	-5.6	-
IMG Pen SB Ser B	95.0	100.0	.....	-
Pension Funds-Series D				
Property	193.4	193.4		-
Equity	129.7	129.7	-0.3	-
Fixed Interest	154.2	154.2	+1.2	-
Managed	130.8	130.8	-0.1	-
Deposit	164.7	164.7		-
Gartmore Global	119.1	119.1	-0.4	-
Gartmore NA	106.7	106.7	-0.3	-
Gartmore Pacific	134.8	134.8	+0.5	-
Henderson Acc	146.3	146.3	-0.7	-
Perpetual Mng.	146.6	146.6	-0.5	-
Framlington Mng	152.2	152.2	+1.5	-
Gartmore Pen Mngd	159.4	159.4	-0.4	-
Gartmore Pen Euro	119.2	119.2	-0.6	-
Knightsbridge CNS Pen.	104.9	104.9	.....	-
Art Euro Pen.	161.6	161.6		-

For Pensions Capital Units please ring ext 350/352

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	Exch 11pc 1990‡‡	99¾xd	.....	–	–
101	99	Exch. 12½pc 1990	99	+	12.56	14.97
97	91	Treas. 3pc 1990	97	—	3.08	12.33
97	95	Treas 8¼pc 1987–90‡‡	97	+	8.43	13.93
98	95¼	Treas. 8pc Cv 1990‡‡	97	+	8.22	13.89
98	96	Treas. 10pc Cv 1990	96	+	10.33	14.49
93	87	Exch 2½pc 1990	93¼	+	2.68	11.29
101	97	Treas 11¾pc 1991	97	+	12.01	14.20
93¼	89	Funding 5¾pc 87–91‡‡	92	+	6.21	12.55
90	86	Treas. 3pc 1991	90	.....	3.34	11.53
100	95¼	Treas 10pc Cv '91‡‡	95	+	10.46	13.40
101	95	Exch. 11pc 1991	96¼	+	11.43	13.42
94	91	Treas. 8pc 1991	91	+	8.76	13.32
106	99	Treas 12¾pc 1992‡‡	99	+	12.80	1.992
99½	94	Treas 10pc 1992	94xd	+	10.57	13.03
94	90	Treas. 8pc 1992‡‡	90	+	8.83	12.96
100¼	95	Treas 10½pc Cv 1992‡‡	95	+	11.00	12.83
85	82¼	Treas. 3pc 1992	83	+	3.59	11.02
105	98	Exch. 12¼pc '92	98xd	+½	12.41	12.89
109¼	101¼	Exch 13½pc 1992	101	+¼	13.28	12.72
94	88	Treas 8¼pc 1993	89¼xd	+¼	9.24	12.56
100	93	Treas 10pc 1993‡‡	93¼	+¼	10.67	12.39
108¼	100	Treas 12½pc 1993‡‡	100	+	12.45	12.37
88	84	Funding 6pc 1993‡‡	84	+	7.10	11.27
113¼	104¼	Treas 13¾pc 1993‡‡	104	+	13.15	12.21
94	88¼	Treas. 8½pc 1994	88½xd	+	9.62	12.20
117	107	Treas 14½pc 1994‡‡	107¼	+	13.45	12.02
113	104	Exch 13½pc 1994	104¼	+	12.99	12.12
100	93¼	Treas. 10pc Ln. 1994‡‡	93	+	10.69	11.93
110¼	101	Exch. 12½pc 1994	101xd	+	12.31	12.07
96	89	Treas 9pc 1994‡‡	89	+	10.04	11.87

Five to Fifteen Years

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	99¾	Treas 12pc 1995	100xd	+	11.98	11.94
79¾	72	Exch 3pc Gas 90–95	75½	+	4.00	9.06
101	93	Exch. 10¼pc 1995	93	+¼	10.92	11.81
113	104	Treas 12¾pc 1995‡‡	104	+	12.21	11.66
119	108	Treas. 14pc '96	108	+	12.86	11.89
97½	88¼	Treas 9pc 1992–96‡‡	88	+	10.13	11.58
126	114	Treas 15¼pc 1996‡‡	115¼	+	13.21	11.69
117	106	Exch 13¼pc 1996‡‡	106	+	12.38	11.65
101	92	Conversion 10pc 1996	92	+	10.77	11.53
118½	107	Treas 13¼pc 1997‡‡	108	+	12.27	11.56
104	94	Exch 10½pc 1997	95½xd	+	11.01	11.47
95	86	Treas 8¾pc 1997‡‡	87¼	+	10.02	11.27

BRITISH FUNDS—Contd

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103	91	Conversion 9½pc 2005	92	+	10.32	10.55
111	98¼	Exch.10½pc 2005	99	+¼	10.52	10.52
125	111	Treas. 12½pc 2003–05	112	+1	11.13	10.76
90	79	Treas. 8pc 2002–06‡‡	80	+	9.90	10.44
118	105	Treas. 11¾pc 2003–07	106	+	11.01	10.77
96	84	Treas 8½pc 2007‡‡	85	+	9.92	10.28
134¼	119	Treas. 13½pc '04–08	120	+1	11.22	10.68
101	89	Treas. 9pc 2008‡‡	90	+	10.01	10.21
94	89	Treas. 9pc 2008 B	90	+	10.01	10.21
92	80	Treas 8pc 2009	81	+	9.80	10.17
102	89¼	Conv 9pc Ln 2011‡‡	90xd	+	9.98	10.13
68	59	Treas. 5½pc 2008–12‡‡	60	+¼	9.12	9.931
89	77	Treas 7¾pc 2012–15‡‡	78xd	+½	9.82	10.07
132	115	Exch 12pc '13–'17	116¼	+1	10.29	10.14

Undated

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45	38	Consols 4pc	39xd	+	10.46	–
40	34	War Loan 3½pc‡‡	34½	+	10.09	–
70	59	Conv. 3½pc '61 Aft.	60	+	5.81	–
41	30	Treas. 3pc '66 Aft.	31	+	9.70	–
30	24	Consols 2½pc	24½	+	10.23	–
29½	23¾	Treas. 2½pc	24	+	10.39	–

Index-Linked

1989/90 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112	103	Tr. 2pc '92‡‡(97.8)	111	–	3.66	4.77
105	94	Do. 2 '94 (102.9)	104	–	3.23	3.78
156	139	Do 2pc '96(67.9)	154	–	3.18	3.55
131	118	Do 2½pc '01(78.3)	129	–	3.61	3.85
128	115	Do. 2½pc '03(78.8)	125	–	3.68	3.89
131	117	Do. 2pc '06(69.5)	128	–	3.70	3.87
123	110	Do. 2½pc '09(78.8)	120	–	3.69	3.84
128	114	Do. 2½pc '11(74.6)	125xd	–	3.67	3.82
107	95	Do. 2½pc '13(89.2)	103xd	+	3.65	3.78
115	101	Do 2½pc '16(81.6)	112xd	–	3.60	3.73
113	100	Do. 2½pc '20(83.0)	109	–	3.56	3.68
95	84	Do. 2½pc '24‡‡(97.7)	92½	–	3.51	3.62

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1989: 115.0 and for December 1989: 118.8.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

1989/90 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
15⅞	847p	Hasbro Inc 50c	12⅛	.....	16c	—	0.8
57½	32¼	Honeywell $1½	51⅞	+¼	$2.75	—	3.2
22⅞	15¼	Houston Inds ‡	21	.....	$2.96	—	8.5
76⅞	58⅛	IBM Corpn $1¼	60⅝xd	+⅛	$4.84	—	4.8
60p	45p	‡Image Storage/R.Sys.1c	45p	−3	—	—	—
32⅞	18⅛	Ingersoll-Rand $2	30½xd	−⅛	$1.20	—	2.4
33¼	22½	Lockheed Crpn. $1	24⅞xd	+⅛	$1.80	—	4.4
22⅞	8⅝	Lone Star Inds $1	9xd	+⅛	$1.90	—	12.7
29	17½	Louisiana Land 15c	25⅞	+⅛	$1.00	—	2.4
20½	11⅝	Lowe's 50c	16⅛	+⅛	52c	—	1.9
28⅞	15⅞	Manuf. Hanover $1	20⅛	+⅞	$3.28	—	9.5
22⅞	13⅞	Merrill Lynch $1	15	+⅛	$1.00	—	4.0
24⅞	19⅛	Molex Inc	22⅛	−⅛	3.2c	—	—
30⅞	18⅛	Morgan (JP) $2½	22⅞xd	+⅞	$1.82	—	4.8
28⅞	23⅛	Morris (Philip)	23⅞xd	+⅞	$1.13	—	2.8
56⅞	36⅛	NYNEX $1	50½	+⅝	$4.36	—	5.2
44p	11p	N'wide Legal Serv ‖	19p	.....	—	—	—
24⅞	18⅛	PHH Corp ‖	21	−⅛	$1.16	—	3.3
259p	167p	♦Pacific Agr. ‡	187p	.....	—	—	—
29⅞	19	Pacificorp $3¼	26⅛xd	−⅛	$2.76	—	5.9
31⅞	16⅞	Pacific Telesis 10c	28¼	+⅛	$1.88	—	3.9
22⅞	15⅛	Pall Corp 25c	20½	.....	48c	—	1.4
55⅞	39⅞	Pennzoil 83 1/3c	51⅛xd	+⅛	$3.00	—	3.5
42¼	28½	Quaker Oats $5	32⅞	−⅞	$1.40	—	2.6
32⅞	23½	Rep NY Corpn $5	29⅞xd	−⅞	$1.28	—	2.6
16¼	11⅞	Rockwell Intl. $1	14⅛xd	+⅞	78c	—	3.3
29½	22	Sears, Roebuck 75c	22⅝xd	+⅞	$2.00	—	5.3
40¼	21⅝	Southwestern Bell $1	34	+¼	$2.60	—	4.6
27⅞	17⅞	Sun Co. Inc. $1	24⅞xd	.....	$1.80	—	4.4
31⅞	22⅞	TRW Inc. 62½c	29⅛	+⅝	$1.72	—	3.5
40⅞	26¼	Tenneco $5	36⅝	−⅛	$3.04	—	5.0
36⅞	28	Texaco $6 25	34xd	+⅞	$3.00	—	5.3
28⅞	18⅞	Texas Instr. $1	21¼xd	+⅞	80c	—	2.3
117⅞	58⅝	Time Inc. $1	79⅞	+⅛	$1.00	—	0.8

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

1989/90 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
170	126	Airtours 10p	y	141xd	.....	7.0	3.0	6.6	6.8
315	195	Anglia TV	β	263	+4	9.0	♦	4.7	♦
*168	91	Avesco 1p	β	91	.....	†g1.13	6.5	1.7	11.6
34	9	♥BCE Hldgs 5p	y	14	-½	0.4	–	3.8	–
395	245	Barr & W.A.T. 'A'	y	295	.....	†15.0	1.7	6.8	11.9
540	225	Boosey & Hawkes	y	455	+20	†10.0	2.5	2.9	18.0
60	35	♦Border T.V.	y	46	.....	†2.0	3.4	5.8	6.7
423	317	Brent Walker 10p	β	362	.....	†11.0	3.6	4.1	7.3
117	79	Do 6pc Cv.Cm.Rd.Pf	y	99	.....	6.0	–	8.1	–
*103	80	Buckingham Int'l. 10p	y	92	+2	–	–	–	–
344	146	Campari Int. 20p	y	198	.....	8.5	3.9	5.7	5.1
284	247	Capital Radio 2½p	β	254	-3	4.5	3.2	2.4	17.3
958	662	Carlton Communics	α	762	+2	9.37	♦	1.7	♦
125	95	Do. 6.5p Prf	y	101	.....	6.5	–	8.6	–
465	268	♦Castle Comms. 50p	y	423	.....	8.5	♦	2.7	♦
823	579	Central TV	β	755	.....	†25.5	2.5	4.5	11.5
248	123	Chrysalis	y	145	.....	a3.43	0.1	3.2	–
151	50½	Citywision 5p	β	144	.....	†h0.5	10.1	0.5	28.4
38	10	Classic Th'breds b0.28	y	14	.....	–	–	–	–
392	258	Compass Group 5p	β	380	+1	9.0	2.6	3.2	15.9
1025	865	Euro Disney Fr10	β	970	+5	–	–	–	–
*99	62½	European Leisure	y	91	+2	g1.5	3.1	2.2	17.8
110	52	Ex Lands 10p	y	54	.....	0.5	–	1.2	–
*117	75	Expedier Lets. 20p	y	75	-1	–	–	–	25.3
890	437	Fairline Boats 10p	α	818	-2	18.5	4.3	–	10.1
248	149	First Leisure	β	239	.....	3.66	♦	2.1	♦
755	560	♦GWR Group 20p	y	579	+15	12.0	♦	2.8	♦
74	45	Grampian TVA 10p	β	71	.....	†3.0	2.8	5.6	8.1
31	20	♦Greenwich Comm	y	28	.....	–	–	–	–
136	85	HTV Ord	β	134	.....	5.0	3.7	5.0	7.0
137	68	Hi-Tec Sports	y	81	.....	4.5	2.6	7.4	6.8
27¼	3	♥Int'l Media Cons. 5p	y	5½	.....	–	–	–	–
255	160	♦Invicta Sound 10p	y	188	.....	L2.7	♦	1.9	♦
68	41½	♦Kunick 10p	β	64½xd	.....	1.8	♦	3.7	♦
138	97	Do 7p Rd. Pf	y	133	-2	7.0	–	7.0	–

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

1989/90 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
382	182	WCRS Group 5p	β	245	.....	a4.29	3.6	[illegible]	[illegible]
*762	497	WPP Group 10p	β	693	.....	†17.8	2.7	[illegible]	[illegible]
186	63	Do. Wrrnts	y	115	-1	–	–	[illegible]	[illegible]
121	100	Do 8.25p Cv Prf 10p	y	111	+1	8.25	–	[illegible]	[illegible]
*421	255	Wace Group 20p	α	313	.....	sq†4.0	3.8	[illegible]	[illegible]
219	140	Waddington (J.J.)	β	164	.....	17.3	2.3	[illegible]	[illegible]
*462	375	Watmoughs	y	423	-5	†q8.5	3.3	[illegible]	[illegible]
73	28	Waverley Cameo 5p	y	30	-1	1.0	2.7	[illegible]	[illegible]
*42	18	♦Westport Group 5p	y	28	-1	1.0	1.9	[illegible]	[illegible]
120	62	♦Wiley Marlow-Lewis10p	y	75	.....	4.6	1.9	[illegible]	[illegible]
213	51	Yellowhammer 5p	y	68	.....	†3.3	5.3	[illegible]	[illegible]

PROPERTY

1989/90 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
154	90	Allied London 10p	β	108	+1	3.3	2.8	[illegible]	[illegible]
130	91	Do. 5¼pc Cnv Red Prf	y	93	+1	5¼%	–	[illegible]	[illegible]
92	66	♦Alpha Ests. 5p	y	66	.....	a2.81	1.9	[illegible]	[illegible]
180	96	Asda Property 20p	y	111	.....	†1.5	4.3	[illegible]	[illegible]
134	73	Do 5¼pc. Cm. Rd. Pf.	y	88	+1	5¼%	–	[illegible]	[illegible]
77	25	BDA Hldgs. 10p	y	42	+1	†3.5	2.7	[illegible]	[illegible]
149	89½	BHK Group 50p	β	99	.....	†4.0	4.4	[illegible]	[illegible]
230	72	Baker Harris Saids10p	y	73xd	.....	†7.0	2.8	[illegible]	[illegible]
110	80	Barlows 10p	y	88	.....	†2.25	1.2	[illegible]	[illegible]
102	95	♦Bedwold Devs. 50p	y	102	+2	1.8	5.9	[illegible]	[illegible]
526	398	Billion (Percy)	y	413	.....	†15.1	2.0	[illegible]	[illegible]
237	76	Bourne End Prop	y	163	.....	†2.35	2.2	[illegible]	[illegible]
136	102	Bradford Prop. 5p	y	118	+2	†2.8	3.5	[illegible]	[illegible]
*342	208	Bredero Props	y	218	-2	†q6.0	2.9	[illegible]	[illegible]
168	91	Britannia Grp. 5p	y	138	-1	†4.5	3.1	[illegible]	[illegible]
430	278	British Land	α	401	+1	4.63	4.5	[illegible]	[illegible]
250	147	Brixton Estate	β	184	.....	†h4.88	1.5	[illegible]	[illegible]
248	115	♦Broadwell Ld 50p	α	201	.....	†5.0	3.5	[illegible]	[illegible]
126	56	Cabra Ests	y	75	-1	†4.0	1.9	[illegible]	[illegible]

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, y Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on *profit after taxation and unrelieved ACT where applicable*; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ¢ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. *K Dividend and yield based on prospectus or other* official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	86	.....	
Craig & Rose £1	y	833	.....	
Finlay Pkg. 5p	y	57	-1	
Holt (Jos) 25p	y	1340	.....	

IRISH

Cap 8½% Ln. 1991	£96¼	.....
9pc Cap Ln. 1996	£95⅞	.....
Fin. 13% 97/02	£114½	.....
Arnotts	410	.....
Carrol (P.J.)	171	+1
Hall (R. & H.)	190	+5
Heiton Hldgs	100	.....
IRG	206xd	.....
United Drug	170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Asles (BSR)	5½
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	13
Hawker Sidd	55
ICI	99
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	25
Morgan Grenfell	35
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
Smkl Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm.	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

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FINANCIAL TIMES
Weekend January 20/January 21 1990

UK rival for Czech auto plant

By Kevin Done, Motor Industry Correspondent

A UK consortium emerged yesterday as a strong rival to Renault, the French state-owned vehicle maker, to establish a light commercial vehicle assembly project in Bratislava, Czechoslovakia.

The consortium, which includes UK companies in automotive design and production engineering, vehicle marketing and specialist financing, has been negotiating with Bratislavske Automobilove Zavody (BAZ – the Bratislava automobile plant), and the Czechoslovak Government and banking authorities for the last 12 months. Negotiations have reached a late stage, and a decision is expected in the spring.

The consortium is understood to include Fiscot, a subsidiary of Bank of Scotland, International Automotive Design (IAD), the largest European automotive design and engineering consultancy; International Motors, part of the IM Group holding the Subaru; Isuzu and Hyundai franchises in the UK, and Lamb Technicon, a UK subsidiary of Litton Industries of the US, one of the principal US suppliers to the automotive industry.

The deal was included in wider trade discussions this week in London between a Czechoslovakian delegation led by Mr Jiri Nemec, deputy Trade Minister, and the UK Department of Trade and Industry.

Earlier this week, Renault said it was negotiating a joint venture with the Bratislava plant for the local assembly of light commercial vehicles. It said it was planning to produce its Trafic medium panel van at the BAZ plant from 1992, with an initial output of 15,000 vans a year, rising to 30,000.

Fiscot said yesterday, however, that the British project was still "under close consideration" by the Czechoslovakian authorities, which were investigating competing proposals.

The competition for the Czechoslovak project is the latest in a series of recent moves by western automotive groups, which are seeking to expand their interests in East European markets in response to recent sweeping economic and political reforms.

It is understood that Citroen, part of the French Peugeot group, was also competing for the BAZ van project at an earlier stage, and that Kia, the South Korean automotive company, has also expressed an interest.

Mr Robin Lawson, managing director of Fiscot, said the British consortium was "in serious negotiations with the BAZ factory" to establish production of a light commercial van (3.5 tonnes gross vehicle weight) with an initial target production volume of 30,000 units a year, starting in 1992/93.

Under the British proposal some 5,000 to 10,000 vans a year from the Czechoslovakian plant would be exported to western markets to generate foreign currency to finance the project. Discussions have taken place with a consortium of UK banks including Bank of Scotland for a "self-financing" arrangement for UK supplies of equipment and engineering.

Market gloom for the catwalks

By Alice Rawsthorn

THE TRIALS and tribulations of the New York and Tokyo stock markets may seem a long way away from the frivolous world of fashion, but this week's fall in the stock markets has cast a cloud over the *haute couture* fashion shows, which open in Paris tomorrow.

A weak stock market is the worst possible background for the *couture* collections, which are dependent on the custom of the few thousand very wealthy women who can afford to treat themselves to hand-made outfits costing thousands of pounds.

In the mid-1980s, when the stock markets were strong and the French franc was weak against the US dollar, the *couture* houses flourished. For the last few seasons, when the markets have slowed down and the franc has strengthened, they have been struggling.

Haute couture is an anachronism. There are only 22 *couture* houses, all licensed by the Chambre Syndicale de la Couture Parisienne. The "big four" – Yves St Laurent, Christian Dior, Chanel and Givenchy – account for about half of the FFr320m (£33.5m) *couture* business.

The market for *couture* is tiny. There are only about 3,000 women who are prepared to spend $25,000 (£15,000) on a St Laurent evening dress or $39,000 on a Chanel ballgown. American Vogue recently totted up the annual cost of a *couture* wardrobe at $500,000 "when you add in the cost of round-trip Concorde tickets, a week at the Ritz, tips, colouring appointments at the hairdressers, new jewels and the requisite accessories."

All the houses lose money on *couture*. It is not regarded as a business, but as a source of publicity. Each season around 1,000 journalists converge on Paris for the collections. Their coverage helps to clinch the lucrative licensing deals – for scents, scarves and sunglasses – from which the fashion houses make most of their money.

Licensing is now so profitable that a new breed of investor has entered the industry. Dior has been bought by Agache, the industrial group run by Mr Bernard Arnault, who is fighting for control of LVMH (Louis Vuitton Moët Hennessy) which owns Givenchy. St Laurent went public on the Paris Bourse this summer. Chanel is the only one of the "big four" houses still in private hands.

These new investors have shaken up the industry by introducing new capital and modern management. They have also made it much more difficult for the smaller houses to compete against their lavish product launches and extravagant advertising campaigns.

Agache hopes to recoup the £20m it has invested in Christian Lacroix, the *couture* house it opened two years ago, with the profits from C'est La Vie, the perfume which will be introduced in a lavish launch at the Opéra Comique tomorrow night.

Midland Bank, the British clearing bank, hopes to revitalise Lanvin, the fashion house it invested in last year, by bringing in Claude Montana as its new designer. The first Montana collection will be unveiled at the Ecole Militaire on Tuesday.

Ironically the arrival of the new investors may be the salvation of *couture*. The cost of showing a *couture* collection is so high – Chanel spends about £1m a season – that the smaller houses may not be able to afford it for much longer.

A large company, like Agache, can afford to see *couture* as an investment. Ms Béatrice Bongibault, the dynamic managing director of Dior, has fired designers and weeded out licensees since Agache appointed her two years ago. But she is still committed to *couture*. "It is our heritage," she said. "We will lose money on it for as long as we can afford to."

A new breed on the catwalk, Page 6

A Christian Dior suit created for the 1990 haute couture collection

Boat people

Continued from Page 1

gees will go straight to an open centre. The rest will be kept on the island till they are flown back to Hanoi, if the plan goes ahead.

The idea is to stop new arrivals becoming institutionalised in long-term detention centres.

Tension is mounting among long-term inhabitants of the camps about the mandatory repatriation plan launched early last month.

Hong Kong legislators yesterday approved a HK$12m (£922,000) programme to fly 1,000 Vietnamese boat people home mandatorily over an unspecified period believed to be up to a year.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)				**PARIS (FFr)**			
Rises				**Rises**			
Hapag Lloyd	400	+	15	Cred Foncier Fr	1352	+	17
Lahmeyer	900	+	20	Industrielle	7900	+	100
Porsche	1005	+	53	**Falls**			
Falls				Ciments Fr.	1520	–	20
Degussa	491	–	11.1	Epeda-Bertrand	1312	–	38
Karstadt	666	–	12	Legrand	3470	–	40
Mannesman	336	–	13	Valeo	785	–	17
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Apple	34	+	1⅝	Kagome	1960	+	210
Rorer	73	+	1½	Mitsumura	1940	+	220
UAL	156¼	+	8	Oriental Photo	2460	+	310
Falls				Toho Titanium	2720	+	400
Bk of Boston	15¾	–	1⅜	Toyo Sugar	1290	+	140
Bk of New Eng	3	–	1½	Yuasa Trading	1590	+	180
DEC	77½	–	4½				
New York prices as at 12.30pm.							
LONDON (Pence)							
Rises				Yorkshire Water	1[illegible]	+	6½
Allied Irish	275	+	11	**Falls**			
Guiness	673	+	10	Avon Rubber	485	–	23
Hoskyns Grp.	328	+	55	Dale Elect.	90	–	12
ICI	1128	+	6	FKB Grp.	176	–	17
Logica	343	+	16	Legal & Gen.	389	–	7
LASMO	575	+	11	London Int.	224	–	10
Mcalpine (A.)	354	+	13	MEPC	510	–	8
Micro Focus	513	+	10	Norfolk Hse.	223	–	15
RHM	452	+	14	Rechem Envmtl.	508	–	145
Reuters	1045	+	27	Reject Shop	55	–	15
Saatchi	245	+	14	STC	261	–	7
Unilever	678	+	5	Wellcome	706	–	10
Vickers	224	+	9				

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	Dallas †	R	12	54	Madeira	F	17	63	Prague	F	4	39
Algiers	F	16	61	Dublin	S	7	45	Madrid	S	6	43	Reykjavik	Sn	-1	30
Amsterdam	C	7	45	Dubrovnik	S	8	46	Majorca	F	13	55	Rhodes	R	15	59
Athens	S	15	59	Edinburgh	F	4	39	Malaga	F	14	57	Rio d'Janeiro		–	–
Bahrain	F	16	61	Faro	S	15	59	Malta	F	14	57	Rome	S	13	55
Barcelona	S	9	48	Florence	S	13	55	Manchester	R	9	48	Salzburg	S	4	39
Belfast	S	5	41	Frankfurt	F	3	37	Melbourne	S	22	72	S'Francisco †	S	6	43
Belgrade	F	3	37	Geneva	F	3	37	Mexico City		–	–	Santiago		–	–
Berlin	F	7	45	Gibraltar	S	15	59	Miami †	S	23	73	Seoul	S	-3	27
Biarritz	S	9	48	Glasgow	F	4	39	Milan	S	9	48	Singapore	F	29	84
Birmingham	Dr	9	48	Guernsey	R	8	46	Montreal †	S	-10	14	Stockholm	S	-1	30
Blackpool	F	7	45	Helsinki	S	-12	10	Moscow	C	2	36	Strasbourg	S	2	36
Bombay	S	31	88	Hong Kong	R	16	61	Munich	S	4	39	Sydney	S	25	77
Bordeaux	S	7	45	Innsbruck	S	1	34	Nairobi	F	25	77	Tangier	S	15	59
Boulogne	C	7	45	Inverness	C	3	37	Naples	S	11	52	Tel Aviv	S	18	64
Bristol	C	8	46	Isle of Man	S	7	45	Nassau		–	–	Tenerife	S	19	66
Brussels	S	6	43	Istanbul	F	11	52	Newcastle	F	8	46	Tokyo	C	7	45
Buenos Aires		–	–	Jersey	F	9	48	New Delhi		–	–	Toronto †	S	-5	23
Budapest	S	5	41	Johannesburg	F	25	77	New York †	S	3	37	Tunis	F	15	59
Cairo	C	16	61	Las Palmas	F	19	66	Nice	S	14	57	Valencia	S	12	54
Cape Town	F	21	70	Leeds	F	9	48	Nicosia	C	15	59	Venice	S	8	46
Cardiff	R	9	48	Lisbon	S	11	52	Oporto	S	11	52	Vienna	F	5	41
Chicago †	C	-3	27	Locarno	S	6	43	Oslo	Sn	1	34	Warsaw	C	3	37
Cologne	F	7	45	London	R	9	48	Paris	S	4	39	Washington †	F	5	41
Copenhagen	C	5	41	Los Angeles †	S	8	46	Peking	S	-4	25	Wellington	S	19	66
Corfu	F	12	54	Luxembourg	Fg	0	32	Perth	S	31	88	Zurich	C	-1	30

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Clarke denies report of ambulance offer

By Alison Smith and Diane Summers

THE Government's handling of the ambulance dispute came under further criticism last night, after a close political aide to Mr Kenneth Clarke, the Health Secretary, was named as the source of the suggestion that more money might be available to settle the dispute.

The suggestion, which appeared in some newspapers yesterday, was immediately denied by Mr Clarke. His second denial of press reports in the past two weeks was condemned by the Opposition.

Mr Robin Cook, the shadow Health Secretary said: "They cannot continue to get away with making the dispute more difficult to solve by briefing journalists one day and denying it the next."

Mr Philip Oppenheim, Mr Clarke's parliamentary private secretary, was identified by Mr Cook as having told journalists that Ministers were prepared to offer an extra 2 per cent to some grades of ambulance staff if a two-tier pay structure was agreed by the unions.

Mr Richard Holt, a backbench Tory MP who has been closely involved in the dispute, was critical of the confusion. He said: "I have said before that I think that the people who should be involved ought to be people with some expertise, preferably a great deal of expertise, in industrial relations."

The ambulance unions said the confusion had been caused deliberately to "muddy the waters."

Mr Clarke insisted yesterday: "There is no more money on offer. There can be no question of a formula for the pay of ambulancemen and women."

The Department of Health later issued a statement saying "Mr Oppenheim has taken no part in discussions or negotiations concerning the ambulance dispute."

Mr Oppenheim could not be contacted for comment.

The Government has already faced a row over its dealings with the press during the dispute.

Two weeks ago, after holding a briefing for Sunday lobby journalists, Mr Clarke dismissed the resultant reports in some Sunday newspapers that he would increase the offer of 9 per cent over 18 months.

Tory backbenchers yesterday claimed that Mr Oppenheim must have been "misunderstood" by the journalists.

Meanwhile, unofficial strike action by ambulance crews continued in at least 15 stations, mainly in London and the south-east.

Inflation

Continued from Page 1

Mr John Smith, Shadow Chancellor, said the figures were "depressing and disturbing." Interviewed on BBC radio's The World At One, he said: "There is no ground for complacency or self-congratulation."

The Treasury said the December retail price figures confirmed the November forecast of Mr John Major, the Chancellor, that inflation would average about 7.5 per cent in the final 1989 quarter and remain above 7 per cent into this year.

The annual inflation rate will be subject to conflicting influences in the months ahead. The 0.75 per cent mortgage interest rate rise of early last year will drop out of the figures, cutting the annual rate of inflation by an estimated 0.1 percentage points this month and 0.2 points in February. The late December and January sales should hold down some prices, such as clothing.

However, higher prices for seasonal foods, bread, tea, alcoholic drink and petrol will add to inflation this month, as will British Rail and London Underground fare rises in February. The Community charge, or poll tax, could add anything between 0.15 and 0.5 points to the index in April.

Last year, inflation averaged 7.8 per cent, its highest since 8.6 per cent in 1982 and up on the 1988 average of 4.9 per cent.

The retail prices index rose to 118.8 (base January 1987 = 100) in December from 118.5 in November.

The tax and price index, which measures the increase in gross taxable income needed to compensate tax payers for any increase in retail prices, advanced to 113.1 (base January 1987 = 100) from 112.8.

Mayor in court on drug charges

By Peter Riddell, US Editor in Washington

MR MARION BARRY, the long-serving mayor of Washington, the US capital, appeared in court yesterday on charges of illegal possession of crack cocaine.

The arrest of Mr Barry, a prominent black leader, has far-reaching implications, not only for race relations and the fight against drugs and related violence in Washington, but also for national US politics.

If Mr Barry has to step down, there will be pressure on the Rev Jesse Jackson, America's best-known black politician, to stand as mayor: he has just moved to Washington. That might in turn open up the race for the Democratic presidential nomination in 1992.

Mr Barry was arrested late on Thursday night at a city hotel after a "sting" operation organised by the Federal Bureau of Investigation. Court papers filed by the prosecutors yesterday say the mayor was seen by an FBI agent with a surveillance camera giving "a quantity of currency" to a co-operating witness in return for a quantity of the illegal drug. He is then alleged to have "put some of the crack cocaine in a smoking apparatus, lit it and smoked it."

An affidavit said tests conducted on blood and urine samples taken from Mr Barry following his arrest "showed evidence of cocaine ingestion."

Mr Barry was charged with a misdemeanour offence and, if found guilty, could face up to one year in prison and a maximum fine of $5,000 (£3,039). He did not enter a plea yesterday.

Mr Barry's arrest comes at a time when the murder rate in Washington is at a record level, the majority of killings related to drug-trafficking. He has, until now, been prominent in the fight by the local government and black leaders against drug abuse, especially among young people.

But the mayor has been the centre of controversy over allegations about his links with former associates convicted of drug offences. He has strenuously denied drug-taking and has retained the support of large sections of the the black community, who are two-thirds of Washington's population.

After more than 11 years in office, the mayor had been planning to announce tomorrow that he would run this November for a fourth term, but this statement has now been postponed.

Peter Bruce adds from Madrid: The mayor's arrest came as mayors from around the world were meeting in Madrid for a second conference of Mayors Against Drugs.

One of their number, particularly, found it hard to smother his satisfaction. He was Mr Juan Gomez Martinez, the mayor of Medellin in Colombia, which is the centre of the South American drugs trade. US consumers, he noted, also contribute to the drugs trade. "Its a very delicate thing. This teaches us we should be careful and not blame the Colombians for all drug problems," he said.

Gulliver

Continued from Page 1

retailer, and Magnet, the furniture group - have each been forced to renegotiate terms with their bankers. MFI said yesterday it was operating within the parameters of its agreement with its bankers.

Mr Dayan said there would now be a restructuring of the Lowndes store portfolio, designed to get rid of the tail of smaller shops inherited from Harris Queensway.

He denied that "the strategy has been imposed on us by bankers" but was a speeding up a programme which had already started. He hoped the number of job losses would be no more than about 1,000 of the group's 5,000 employees.

Lowndes expects to make a pre-tax loss in the year to end January of at least £45.5m, with a further £35m of exceptional costs involved in the restructuring programme.

Details of the refinancing package for Magnet, the kitchen and bedroom furniture retailer which was the subject of a £630m management buy-out in July last year, were also released yesterday.

The package was arranged at Christmas. Yesterday a circular was sent to shareholders, who are required to agree to changes in the company's articles of association necessitated by the refinancing. The circular gave a litany of losses, write-downs, write-offs, rationalisation and cost cutting.

THE LEX COLUMN

When gearing goes into reverse

It was a grim coincidence that Magnet should have published its rescue plan on the same day as Lowndes Queensway. Of the two, Lowndes is in worse shape; but then, it has been a buyout for longer. Both companies are making heavy losses even before interest payments; both have negative net worth and the leaders of both have departed, one with £125,000 in his pocket and the other with nothing. Lowndes is closing 40 per cent of its shops and laying off a fifth of its staff, while Magnet still plans to expand. It remains to be seen which is the more realistic.

In one sense, the Lowndes plan is not as drastic as it looks. The store closures will account for only 14 per cent of sales and none of profit. On the other hand, they will cost some £35m and tie the management up for at least three months, during which the store refurbishment plan will be suspended. The refinancing plan assumes that base rates will not rise again; if they do, Lowndes says, the viability of the group will have to be reassessed. It is to be assumed that the two-for-one rights issue will not prove popular when Lowndes's shares return from suspension on Monday.

Whereas the Lowndes plan envisages break-even at the operating level in the year to next January, Magnet is less optimistic. Its covenants allow for an operating loss of over £10m this year, turning to a profit of £9m in the first half of 1991. Its new managing director has negotiated some pretty stiff terms: a salary of £200,000, a £1m bonus next year even if the business goes bust and another £2m on the same terms the year after. If he quits without the agreement of the banks, the buyout is in default.

Properly speaking, the whole mess illustrates only the folly of buyouts in an industry where demand is interest-rate sensitive. But the effect could be to halt the whole UK buyout movement in its tracks; as far as public companies are concerned, a good thing too.

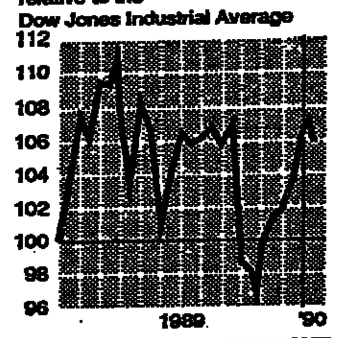
Markets

The market reaction to yesterday's clutch of figures on inflation and the money supply was mildly encouraging. Although the inflation figure itself was a little lower than expected, the bank lending total was a good deal worse; and in confirmation of the strong Christmas retail sales, the rise in consumer spending in the fourth quarter was twice as high as expected. But gilts ended the day slightly better, equities almost unchanged. After the fall in the past couple of weeks, both markets may have come to terms with the fact that base rates could stay where they are for the rest of the year.

But with the December trade figures due next Friday and wage settlements still in the headlines, a degree of nervousness still looks likely. Perhaps more important, both gilts and equities are at least as open to international influences at present as domestic. Wall Street's behaviour this year has been particularly erratic. As for bonds, the UK market has still to take full account of the global trend. The real yield on long gilts is still 2.5 per cent, which seems remarkably low compared with 3.6 per cent in the US, 4.3 per cent in Japan and 4.5 per cent in West Germany.

FT Index rose 3.6 to 1,868.0

FT–SE 100 Index



Hoskyns

In computers, these are the best and worst of times. Nixdorf's absorption by Siemens, and Wednesday's news from IBM of annual earnings down nearly a third, tell the hardware manufacturers' side of the story: a sorry tale of commodity-type products, excessive overheads, and profit margins savaged by price wars. Yesterday's 20 per cent leap in the share price of the UK's Hoskyns computer services group, on news that GEC/Siemens is selling their 74 per cent stake, at what is likely to be a handsome price, was the other side of the coin. As customer spending swings more and more towards software and customised systems, so a consulting and management business like Hoskyns thrives.

It is understandable that GEC/Siemens want to sell. With Nixdorf likely to represent a long job of assimilation, Siemens has quite enough on its plate. Hoskyns would make a good passive investment for anyone, with its five-year record of 34 per cent per annum earnings per share growth; but the recent evidence, from AT&T's purchase of the UK's Istel, is that telephone companies are more appropriate owners than a manufacturer like GEC.

As for price, the Istel purchase would suggest a figure of about 2.1 times historic sales. On that basis, the 74 per cent stake should fetch about £300m; but given the strength of Hoskyns's market position in the UK, one can easily see that being an underestimate.

Toxic waste

Investing in waste management companies can be as hazardous as the toxic waste they handle. Rechem, which is one of the more highly rated companies in its sector, yesterday issued a mild profit warning and its shares promptly fell by more than a fifth. This was an even more savage stock market response than occurred last summer when dockers refused to handle imports of hazardous waste destined for one of the company's incinerators.

Having been brought to the market at 195p less than two years ago, its shares have bounced around between £8 and £3 over the last year. Even after yesterday's drop they have outperformed the market by a third in the last year and are still selling on a multiple double that of the market. Companies like Rechem are fantastically profitable – in the first half it earned £4.7m on sales of £10.7m – and likely to stay that way. Difficulties in getting licences means that competition is severely limited and demand is growing rapidly as tougher environmental laws force companies from ICI downwards to deal with their waste far more carefully.

But Rechem is operating in a highly sensitive area and it would be surprising if the environmental difficulties it ran into last summer, which is one of the reasons for yesterday's profits warning, are not repeated. Nevertheless, a glance at the US shows that this has not been a problem for equally controversial companies like Waste Management. Its earnings have grown at a compound rate of 25 per cent per annum over the last decade and it is selling on 28 times earnings, a rating nearly a third higher than Rechem's.

Weekend FT

SECTION II | Weekend January 20/January 21 1990

The tyrant and his children

The Ceausescus ordered women to give birth, fined couples thought infertile, and jailed those who risked their lives for illegal abortions. ***Judy Dempsey reports***

"Nothing that happens in society can be excluded from the preoccupation of the party." (*Scinteia*, the Romanian communist party daily, March 3 1984)

THE WOMEN never spoke about it. They never told the doctors. They never told their bosses. They never told their colleagues at work. They kept their own counsel until it was usually too late. They all feared that they would be found out. Their "crime" under Ceausescu's regime was that they had become pregnant but did not want the child.

Sometimes, through the grapevine and through connections, they would contact an elderly woman to whom they would pay thousands of Lei to carry out an abortion. Sometimes the operation was successful. Other times it failed.

"Then the real fear set in," said Dr Alexandru Anca, a 35-year-old over-worked gynaecologist in one of Bucharest's main municipal hospitals. "If the infection became worse after one of these abortions the possibility of infertility increased. Many families broke up under the pressure. The women became helpless."

The women were also afraid to come to the hospital because they knew the place was full of informers

"Under 'Them' [a common euphemism for the Ceausescus] the Securitate – the state secret police – were turned overnight into doctors," says Anca. "They would hang around the operating theatre. If we carried out a Dilation and Cauterisation [a 'scraping' of the womb] they wanted to see if the uterus had been infected. If it was, they concluded that the woman had had a failed, illegal abortion."

After the operation, the woman was interrogated by the Securitate to find out who the abortionist was. Following another interrogation and trial, both were imprisoned.

* * *

The Ceausescu regime singled out women for special treatment. While women were extolled as the procreators of the next generation they had neither food, milk, hot water, heating nor even nappies. They were expected to work to build the "Socialist Paradise," but in their spare time – and by decree – they were obliged to have children. Many had little choice.

In an attempt to increase the birth rate, abortion and all forms of contraception were banned in 1965. But after 1984, the Ceausescus embarked on a phase of totalitarianism unknown to the rest of the East European countries: they gave the Communist Party and the Securitate powers to invade the privacy of the bedroom. An article in *Scinteia* on March 8 1984 informed the populace that it was now "a patriotic duty to breed."

New powers of breathtaking scope made their first impact on young married couples. If the woman was not pregnant after a year of marriage, the couple, under the supervision of the Securitate, were examined by gynaecologists to see if they were fertile. If the couple was over 25 and still without children, a supplementary tax of 250 Lei (about £17) was deducted from each of their monthly salaries. The suspicion was that the couple had access to contraceptives.

* * *

"You want to know how I managed?" asked Ion, a 30-year-old engineer from Bucharest. "It was difficult and horrific. Sometimes I was lucky. I once knew a couple who had a year's supply of condoms – I think they got them from Yugoslavia or Hungary. But otherwise it was tragic.

"Steady relationships had no chance of survival. We could not rely on certain times of the month. I have had six girlfriends since the age of 18. Five became pregnant. All five had illegal abortions which were carried out in the homes of friends of their mothers. In one case we went to a hospital where we paid a doctor 10,000 Lei, which is at least two months' salary. The pressure was too much for me and my girlfriends. I stopped having any relationships. It was too scary and too irresponsible. All emotions were ruled by Them. Now that the 1984 decree has been revoked, I wonder how much contraception will cost."

* * *

Even before 1984, the tightly-controlled state-run media had started a smear campaign against doctors.

Anca explains: "After the strikes in Poland and the founding of Solidarity in 1980, They orchestrated a vicious campaign against the medical profession. We were accused of corruption, of accepting bribes and of exploiting our patients. Everybody knows that we are one of the lowest paid professions in Romania. We receive half a worker's salary, which is about 6,000 Lei a month. So it was natural that sometimes our patients would give us flowers, a magazine, some coffee or a hundred-Lei note.

"But we could never accept any of these tokens of gratitude. The Securitate had their people in the wards, waiting to pounce on us and accuse us of bribery, as if the whole system was not already corrupt. One of my colleagues, a 55-year-old doctor who had been too outspoken about the treatment of doctors and about the system, was singled out by the Securitate. In 1984, they found that one of her patients had left an envelope containing 100 Lei on her desk. After a one-year investigation she was put on trial and jailed for four-and-a-half years."

The campaign was effective. Because the Ceausescus loathed and distrusted intellectuals (doctors included), the regime worked hard to compromise doctors into the system. As a result, some doctors were paid to inform on their colleagues. The regime saw it as an effective deterrent; the Romanian regime was determined to prevent the kind of alliance between workers and intellectuals which had catapulted the Polish Solidarity movement into power.

Not long after the campaign, the public image and status of doctors fell so far that women began to distrust all doctors, especially gynaecologists. A conspiracy of fear spread through the hospitals, as it had in the homes. Doctors could not trust each other, any more than patients could trust doctors.

"All of us had to retreat to our family. We could not trust anybody, not even friends or relatives. We were all suspicious, and the suspicion made everyone else suspicious," Anca explained.

It was then that the campaign for "more babies" spread to the factories. Under the decree of March 8 1984, doctors were obliged to visit factories four times a year to examine all women between the age of 20 and 30. Those with any gynaecological problems which might have been caused by miscarriages (which the Securitate suspected had been induced) had to be reported to the police. When women were found to be pregnant, the Securitate opened a file on them and monitored their pregnancy every month.

* * *

Donia, a 22-year-old telex operator living in Brasov, a large town in central Romania once the home of the ethnic German minority, was 18 when she became pregnant. "I thought I had fallen in love with my Italian boyfriend. I met him while he was on a skiing holiday here. But there was no way I could leave the country. Travel was forbidden."

Applying for a passport was a bureaucratic nightmare and a humiliating experience. The applicant first had to seek permission from his or her place of work even to ask for the application papers. If anyone was lucky enough to cross that hurdle, the authorities then demanded letters of invitation from relatives or friends abroad.

"How could we have any such friends when we were banned from speaking to foreigners?" said Donia. "Any conversations we had with foreigners had to be reported. Anyway, we did not have any hard currency with which to travel. It was illegal to have such money. No wonder my Italian boyfriend did not want to marry me and live here, or wait for me to receive permission to emigrate."

Donia remained behind. Her first pregnancy was terminated after she paid more than 10,000 Lei to a doctor friend of the family. "He begged me never to tell anyone," she said. "He feared imprisonment as much as I did."

Six months ago Donia had her first child. "They knew I was pregnant. I was put under a kind of guard by the local Securitate who made sure that I would not have an illegal abortion. But this time I wanted a child."

* * *

After 1984, the daily routine of the doctor, as described by Professor Traian Rebedea, the respected head of the maternity wing of the Municipal Hospital, had become a "living nightmare."

"We had an impossible task ahead of us. As doctors we were trained to care for people. But with the decree we were turned into hunters for pregnant women. It was difficult to develop any degree of trust with our patients."

Anca says that the situation became "intolerable" out in the factories. "Women did not want to become like cattle, forced to line up every three months to be examined. When we visited we tried to reassure them that we would not inform on them. I had to explain that we were not pregnancy hunters and that we were only looking for any infections. Eventually they began to accept us. We began to fudge the books. We filed nothing on those who had miscarried or had had an abortion, but tried to treat them secretly in hospital. As for the Securitate, the only thing they wanted to know was how many women we had examined and how many were pregnant after we had completed our rounds."

* * *

Two days after the Christmas Revolution which toppled the Ceausescu regime, the caretaker government of the Front for National Salvation issued one of its most important decrees. It revoked the 1965 and 1984 anti-abortion laws.

Women were jubilant. The Revolution, however, has much to do for women before their lives return to any degree of normality.

The pharmacies, such as they are, remain bare. Women cannot buy nappies, sanitary towels, or baby foods, even though medical aid has started to flow into the country. Any thoughts about walking into a pharmacy or hospital for contraceptives are just fantasy. The young men who used to hang around hotel lobbies in Bucharest before the Revolution are still there. The money they change on the black market is spent on buying, among other things, contraceptives.

Doctors say that despite the good intentions of the Front and the international community, bureaucracy continues to hold up the distribution of some of the goods. They also say that aid alone will not solve the everyday problems for women and doctors.

"Before the Revolution, we lacked the most basic hospital equipment and supplies. We did not even have anaesthetics. The cotton for bandages was exported," explains Anca. Other doctors say that during the Ceausescu era, the pharmaceutical industry was neglected. Rebuilding it will cost time and money. Moreover, further strains on the already hard-pressed doctors are certain now that women, freed from the watchful eye of the Securitate, can walk confidently into a hospital to see their gynaecologist.

"In Bucharest, there are 120 gynaecologists for 1m women," says Anca. "In 1989, we knew of 30 cases in which women died of infection from abortions carried out in their homes. We have no idea how many women were in need of treatment but were too afraid to come. Time will tell."

On the same day that the abortion laws were revoked, the Front for National Salvation abolished the Securitate. A week later, it issued another decree giving all Romanians the right to travel wherever they wanted.

The people became intoxicated with these three decrees. However, a month since the Revolution, Romanians remain disoriented about what to do with their new-found freedom.

"We dreamt about freedom for such a long time," said Anca. "It was a freedom you cannot comprehend. We were all implicated in this diabolical system. The system bred deceit and corruption as part of the Ceausescus' attempt to break down our human spirit and destroy our dignity."

During the past ten years, Anca has not read one Romanian book. "There was nothing worth reading because it was all propaganda. Instead, in my small and tight circle of friends, we exchanged French and English novels and any foreign magazine we could lay hands on."

He had no chance to subscribe to any western medical publications since he had no access to hard currency. And besides, the regime was suspicious of such "imperialist influences" and feared independent-minded intellectuals.

Instead, he and Rebedea built up their own private library of medical publications. At the cost of four lei a page, they painstakingly photocopied journals and books received through contacts. "It was the only way of trying to keep up with developments in the West," explained Anca. "We had to photocopy these books secretly. One of my friends knew a printer who had access to a machine." Because information beyond the control of the Securitate was the greatest threat to the Ceausescu regime, all copying machines and typewriters had to be registered with the local police.

Anca and many of his colleagues had never been out of the country. "If you do not see the other side, you have only an imagination to guide you. If I had gone to the West and saw what life was like there, I would have gone mad. The differences would have been too much. But now, as we try to return to normality, maybe I can face the real world."

The Long View

When clients are no longer fair game

IF YOU have too many principles you might lose your principal. In the past there has been a useful cushion of flexibility – don't let's call it double-dealing – available to financial practitioners to enable them to avoid this uncomfortable confrontation. But will they be forced to face up to their responsibilities by the Securities and Investments Board's statement of 10 formal principles?

The new, almost final, draft was published this week. The principles are fine-sounding, and evoke concepts such as integrity, diligence, responsibility and honesty. But are they in touch with commercial reality? I hope so, although if I were making the arrangements, I don't think I would have timed their implementation for next April Fool's Day.

The principles-and-rules formula was originally developed in the Takeover Code, that peculiar code of behaviour among the City of London's bid merchants. It has worked well, but only in a very narrow and specialised area, in which nods and winks can succeed, and the culture is fairly uniform.

The SIB says that the idea of applying a set of principles is being explored on the Continent too. In Paris, the Commission des Opérations de Bourse has laid down a *déontologie*, or professional code of ethics for stock market and futures market practitioners, which includes six principles on very similar lines to the UK's.

Most people in the City of London would claim that the standards of business ethics is high, but this has been true only in a qualified way. In purely professional markets it has been regarded as legitimate to attempt to bamboozle your clients. We saw an extreme case of this in the Blue Arrow affair, but in the past it has been normal practice to claim that new issues have been successful when in fact sizeable proportions have been temporarily parked in friendly hands. Since the Blue Arrow inspectors' report came out, issuing houses have started to become a little more forthcoming about the truth when it comes to new issues.

The white lies told before were good examples of what happens when people regard honesty as compliance with general practice. But to the unbiased eye, and even to a court of law, this may look much more like dishonesty.

Here's another example, from the field of retail investment. A curious revelation emerged from the long arguments about disclosure of life assurance commissions during the implementation of the new investor protection framework. This was that the law of agency, which originally applied to intermediaries, had been widely ignored. This law required a broker to act in his client's best interests. But by the early 1980s it had become widespread practice for many brokers to accept above-normal

commissions, and to receive other kickbacks such as help with office expenses, and trips to "conventions" held in Mediterranean holiday resorts. All this was probably in breach of agency law, though it was never tested in court.

Nobody thought it was wrong, if enough people were doing it. Now, with the Financial Services Act in operation, different disclosure rules apply, and the kickbacks, at least, have been banned. But intermediaries fought surprisingly hard for fixed commissions, which would have protected them from ethical dilemmas. The new regulations nevertheless permit them to accept high commissions, but according to the SIB's principles they must observe "high standards of integrity" and give "fair treatment" to all customers.

The danger is that the link between the general and the particular (such as commissions, which have soared on many life assurance products since the new regulatory regime came in) will prove difficult to make – but if it is not, the principles will amount to mere window-dressing. Here is another possible case, the excessive promotion of endowment mortgage plans by building societies and banks, in pursuit of commissions. It seems astonishing that 80 per cent of new mortgage loans should be made in association with endowment policies, at a time when borrowers are unusually hard-pressed to cope with repayments. It ought to be a time for the promotion of cheaper repayment mortgages (on which, however, there are no commissions).

Moreover, an alarming proportion of endowment mortgage policies is cashed in unnecessarily. On routine house moves, a quarter are surrendered, and only about a third of policies run to full maturity. This is very expensive for policyholders; and shows they are getting bad advice. There is a *prima facie* breach of investment principles.

Are the banks and building societies taking "reasonable steps" to ensure that the customer is given "sufficient and comprehensible information" (Principle 5) and can the average branch manager, with a commissions target to reach, be confident that "if conflicts arise" his bank or society will "ensure fair treatment to all its customers" (Principle 6)?

This month's *Which?* magazine contains an investigation of life assurance selling practices. It concludes that there is "no guarantee that you'll get the right advice – or any advice at all." There is a worrying tendency for endowment policies carrying high commissions to be recommended when protection-only policies were more appropriate.

Powerful vested interests are involved here and elsewhere. The danger is that the SIB will attempt to impose a high-level professional code upon an industry which generally operates at a lower level of general business ethics. The principles say quite a lot about the responsibilities of investment practitioners. But they are less clear about the responsibilities of the customer. What has happened to *caveat emptor*? The sensible rule is that the customer should be protected from others, but not necessarily from himself. It remains to be seen whether references to "reasonable" behaviour will solve the problems here.

My conclusion is that compliance with the principles will need to be monitored and enforced in a top-down way. Otherwise, more traditional service will quickly be resumed.

CONTENTS

CORRECTION

Ghost at the City's Christmas Feast

In our article under the above title on Saturday December 23 we quoted a source as having told us: "Two years ago Shearson had to sack all its graduate intake before they even arrived . . ." Shearson Lehman Hutton have advised us that this statement is totally inaccurate, both in respect of 1987 and prior and subsequent years. We apologise for this error and any misleading impression this may have given.

FINANCE & THE FAMILY: THIS WEEK

How to keep up with the Mr Joneses

Mrs Alfred Jones is not a happy woman. She has just found out what independent taxation is all about and she is determined to take the first steps on the path to financial emancipation — whether her husband likes it or not. **Terry Dodsworth** listens in from a safe distance. **Page III**

Guidance — at last

Eric Short welcomes the introduction of a buyer's guide to help prospective purchasers of financial vehicles through the jungle of regulations. **Expatriates:** There are signs that as Chancellor John Major's first Budget approaches, expatriates may be told to "act now to beat the taxman" on offshore insurance products, notably single-premium bonds and 10-plus policies. However Donald Elkin advises caution before making such an investment. **Page V**

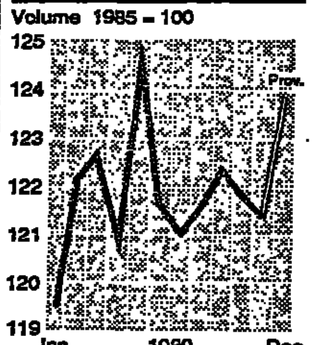
How to choose a fund manager

With so many unit trusts to choose from, how on earth does the small investor choose a fund manager? **Sara Webb** analyses the latest performance figures from Micropal. Plus the pros and cons of legal trusts and a new lease of life for Friendly Societies. **Page VI**

■ *BRIEFCASE: Taxed by maintenance bill:* ***Page VII***

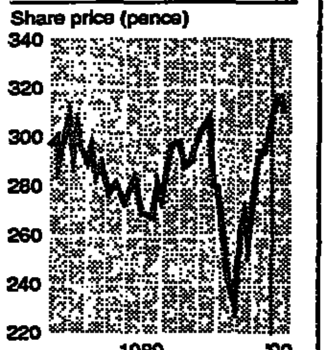
UK retail sales

Volume 1985 = 100



Lonrho

Share price (pence)



Surprise jump in retail sales in December

The volume of retail sales rose by 2.2 per cent in December, according to figures released by the Central Statistical Office this week. This is the strongest monthly rise since June and the figure was way ahead of expectations. Clearly the 15 per cent bank base rate has not curbed the British consumer to any great extent. *Sara Webb*

Mixed week for Lonrho shares

A tie-up between platinum mines in South Africa caused a mid-week flurry in Lonrho shares. The market had caught wind of an imminent announcement from the company and jumped to the conclusion that part or all of Lonrho's Western Platinum subsidiary would be sold.

The shares rose quickly only to fall back just as smartly on the news that Western and locally-owned Impala Platinum would combine the businesses of their adjacent mines. Impala is to transfer one mine and some mineral rights to Western in exchange for 25 per cent of the enlarged Western equity and 27 per cent of profits.

Analysts believe that the complexities of the tie-up were such that it was hard to be accurate about any valuation. They said Lonrho would incur costs to increase refining capacity but that the deal was good in the longer term. *Daniel Green*

Yorkshire Bank sold to NAB for £976m

Yorkshire Bank, the Leeds-based regional bank and the UK's most profitable bank, has a new owner. This week National Australia Bank (NAB) agreed to pay £976.5m for Yorkshire Bank in Britain's biggest bank sale. NAB will become the seventh largest bank in the UK as a result of the deal. *S.W*

C-CM to take over unit trust group

Capel-Cure Myers Capital Management has agreed to take over Key Investments and its wholly-owned unit trust subsidiary, Key Fund Managers. Key Investments has six unit trusts: Equity and General, Gilts and Fixed Interest, Income, Higher Income, International, and Smaller Companies. C-CM has been the manager for four of these over the last six years. The acquisition will lift C-CM's unit trust operations from £225m to more than £285m. *S.W*

More jobs lost in the City

Citicorp and County NatWest both announced job cuts in their securities business this week, blaming the low trading volume in the UK stock market for the need to cut costs. Citicorp is shedding 215 people at its stockbroking subsidiary, Citicorp Scrimgeour Vickers, while County NatWest announced 79 redundancies: these are mainly back office jobs, although County NatWest has also axed some of *its market makers.* *S.W*

Out of pocket

Britain's teenagers receive £3.60 on average in pocket money, according to a survey from the Halifax Building Society. They should feel hard done by — the average amount of pocket money received has only increased by 4 per cent since last year. *S.W*

LONDON

World gets Footsie down

Worries over inflation wipe out most of December's gains

WHEN IN doubt, stay with the pack. Could it be sheer insecurity which sapped most traces of individualism from the London market this week and left *it slavishly following every* tumble and bounce in Tokyo and Wall Street?

Or perhaps there was a simpler explanation — bad news *was everywhere.*

Certainly, the main overseas markets and London seemed strongly synchronised throughout the five trading sessions. On Monday, for example, dealers took their lead for the previous Friday's 71.5 point collapse on Wall Street, a trend which reversed only when the US market opened in cheerier form.

On Tuesday, the UK tone was set by the heavy overnight slump in Tokyo prices. On Wednesday, healthier overnight movements in the US and Japan heralded London's best performance of the week. And so on.

The net effect, however, was pretty miserable. On three of the five trading days, the *FT-SE 100 Share Index* closed with double-figure losses, and the week overall saw Footsie shed 45 points to 2335. The index has now fallen in two *out of every three trading* sessions since the New Year began, and the unexpected December rise — which seemed somewhat spurious at the time — has been largely wiped out.

In world stock market terms, there was plenty to worry about. There were the gathering problems in the Soviet Union, *for* a start, and then more mundane matters like an unexpectedly large US trade deficit and the impending Japanese election.

London had its special concerns, too. To some analysts, inflation rather than recession is still the principal danger — and last week's figures provided little comfort.

Then, the latest pay bargaining round started ominously with the Ford workers' deciding to reject a 10.2 per cent pay rise for the current year, in spite of some modest improvements in the *management's* offer.

Statistics for retail sales volume, meanwhile, showed a 2.2 per cent rise in December, *confirming anecdotal evidence* from big store groups that a "last minute" surge in Christmas trade took place. Most analysts had expected a rise of less than 1 per cent, and the market immediately drew the obvious conclusion: high interest rates are still failing to staunch domestic demand levels.

On the other hand, the December inflation figure *on* Friday did not take the market by surprise. The year-on-year rise was 7.7 per cent, unchanged from the *previous* month and even a little better than the pundits had feared. However, any satisfaction was diminished by some bad — if rather distorted — money supply news.

Moreover, with the irksome combination of wage-push and continuing demand-pull forces so evident in the economy, the prospect of any early cut in *interest rates has* faded from the City's thinking.

And that, in turn, makes recession more likely. Although the corporate results season has yet to get underway, profits warnings still keep coming.

Burton, the fashion retailer, made the big contribution this week, talking of the "most challenging period" in the last 20 years. And among some smaller companies, one senses that time is beginning to run out.

The option of surrendering independence in return for the financial shelter of a larger parent may be looking increasingly attractive.

That idea appears to lie behind a number of the smaller deals now being struck, like the Allied Textile Companies' purchase of Hugh Mackay.

Trading volume this week was not at its lowest. According to Seaq, daily volumes passed 400m shares on a couple of days - but numbers are still pretty dismal.

The consequences were writ painfully large. Citicorp, the US investment bank, sliced another 200-odd London jobs by closing the core equities business of its UK stockbroking arm, Citicorp Scrimgeour Vickers.

Round at County NatWest, a further 80 redundancies were unveiled.

In short, the need for corporate finance departments in the integrated houses to make good the shortfalls elsewhere looks as pressing as ever.

Certainly, *the market is* convinced that the deal-makers are beavering away. Rumours that a mega-bid might be announced any minute contributed *to the market's brighter* moments mid-week — and then to its downturn when nothing emerged.

One theme for 1990 on the acquisitions front, however, has already become plain. The steady flow of cross-border deals with a European flavour, which developed last year, has *continued apace.*

This week a French advertising agency, RSCG, bid for the KLP sales promotion business, the Swedish industrial group Trellborg took a stake at Avon Rubber, and the Dutch paper supplier Buhrmann-Tetterode confirmed its interest in the paper group, Robert Horne. In the reverse direction, Grand Metropolitan plans to take minority stakes in Remy Martin and Cointreau.

Meanwhile, the Japanese interest in European — most notably *UK* — deals, which started to look significant in 1989, was underlined with Nippon Seiko's £145m acquisition of United Precision Industries, *the British bearings company.*

Enthusiasm for pan-European couplings, however, have been of little help to Ferranti. Thomson-CSF, the French defence group, finally declared that it was no longer interested in bidding for the ailing UK group. Although that had been suspected already, and talk of some sort of consortium break-up bid continues, Ferranti shares dropped sharply from 37p to 26p.

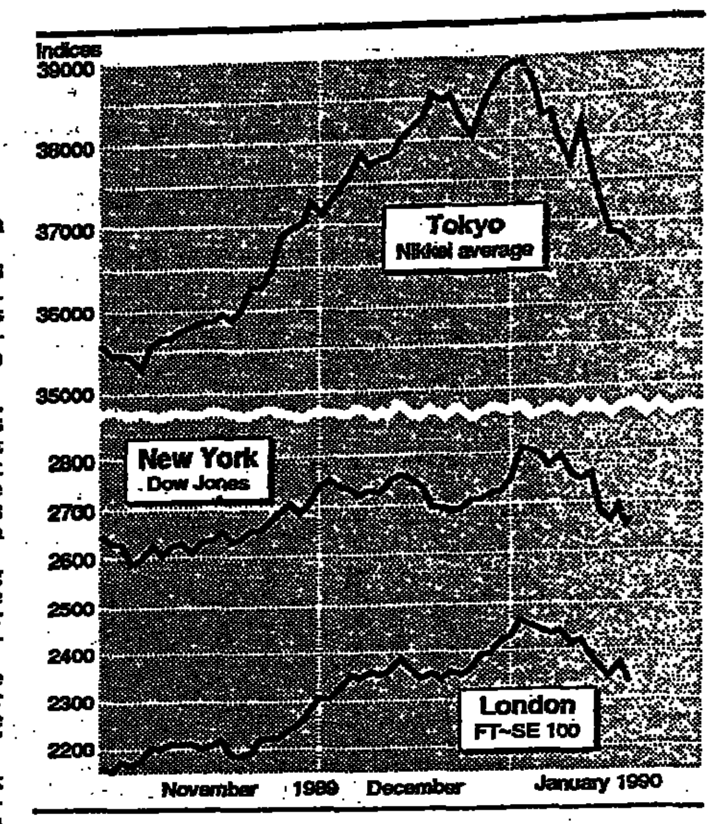
Meanwhile, Dixons, the electrical goods retailer which has been on the receiving end of a hostile bid from Kingfisher was given a welcome respite.

To no one's great surprise — except, perhaps, Kingfisher's — the bid was referred to the Monopolies and Mergers Commission, and therefore it lapses.

Usually a defending company is helped by a *lull* resulting from a reference to the *commission,* even if the predator is subsequently allowed to rebid.

Given the current economic uncertainties, however, it is more than doubtful whether the trading climate will be any more helpful to the defending company in three months.

Nikki Tait



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989/90 High	1989/90 Low	
FT-SE 100 Index	2335.0	-45.1	2463.7	1782.8	Concern over inflation.
Avon Rubber	485	+58	646	393	Stake acquired by Trelleborg.
British Airways	207½	-15½	240	150½	Company warning on fuel costs.
Dixons	128xd	-7½	174	98	Bid from Kingfisher referred to MMC.
Electron House	96	-9	163	91	Interim profits decline.
FKB Group	166	-69	338	166	S.G. Warburg downgrading.
Ferranti Intl.	27½	-6	113½	26	Thomson-CSF decides not to bid.
Higgs & Hill	408	-18	466	263	Lovell bid doubts.
Hoskyns	328	+82	353	200	GEC/Siemens to sell stake.
Hunterprint	130	-32	265	120	Warning of second-half losses.
KLP Group	232	+72	257	160	Agreed bid from French ad agency.
Micro Focus	513	+45	518	143	Broker's recommendation.
Telecomputing	75	-18	123	73	Forecast of losses.
Vickers	224	+15	257½	157	Board statement on Brierley stake.
Wellcome	706	-54	795	400	FDA recomm. halving Retrovir dose

WALL STREET

Caught in a pincer

LAST WEEK there seemed to be trouble ahead for Wall Street, despite the bullish case which had appeared so plausible only a few days before. By yesterday morning, after a total 100-point fall in the Dow Jones Industrial Average, the prospects had become considerably worse.

What happened last week was not just a technical breakdown through several of the trend-lines which had been underpinning the market's advance for most of the past year. In fact, by mid-week the technical indicators had begun to turn more bullish, at least on a short-term view.

The level of gloom among options traders and the huge *preponderance of falling* stocks over advancing issues were indicating an "oversold" condition, which led many market old-timers to suggest that a rebound above the 2700 mark on the Dow was likely to be the market's next move. By Thursday afternoon, as eight major intra-day swings in market direction ended with a narrow but apparently decisive victory for the bulls, technicians like Newton Zinder of Shearson Lehman were able to conclude that "the market *may have seen its worst for* a while."

But even if a trading rally materialises in the next few days as expected, the two fundamental reasons for the sharp falls in stock prices will not simply disappear. The profits announced by leading companies across a wide range of US industrial sectors have turned out even worse than expected. And the uncertainty about the conduct of economic policy is now unequalled since the period just before the *Black Monday crash.*

To judge by developments this week, the market will continue to be plagued by falling corporate profits and indecisive monetary policies through much of the year ahead. IBM, Digital Equipment, Alcoa, Caterpillar, Apple, Texaco, Pfizer and a host of smaller companies *announced fourth quarter* profits which fell well short of the already muted expectations.

Meanwhile, the economic indicators continued to point to an unpleasant combination of stagnant economic growth and unyielding inflationary pressure. As a result, the first signs became apparent of the kind of confrontation between the Federal Reserve Board and the White House, which is traditional in Washington whenever serious economic *discomfort looms in an election year.*

First there was Marlin Fitzwater, the official White House spokesman, making the Bush Administration's first formal public demand for lower interest rates from the Fed. Then there was an even more unusual statement from Peoria, Illinois. Caterpillar, *the world's leading manufac*turer of construction machinery and heavy duty engines and one of those well-managed companies considered by investors to be a bellwether for the entire US industrial economy, added the following comment to its dismal 1989 profits announcement:

"There is a high probability that Federal Reserve policy will push the US economy into recession." As a result, profits would remain "under considerable pressure" throughout the year. *Given that many Wall* Street analysts are still forecasting an increase of about 20 per cent or more this year in Caterpillar's earnings, a forecast like this should have come as a stunning blow.

Instead, Caterpillar's stock price actually rose slightly after the earnings announcement, amid the generalised technical rebound on Thursday afternoon. But it is questionable whether companies like Caterpillar, or IBM for that matter, can continue to trade at their current valuations once analysts on Wall Street digest the full consequences of the profits recession, which was revealed not only in the fourth quarter results but also in the forecasts for the year ahead.

The looming row over monetary policy between the Fed, *the White House and the cor*porate sector seems to have a clear implication. The Fed will eventually ease, but its easing will have much more bearish implications than previously expected.

Either it will delay long enough to justify the grim forecasts made by Caterpillar and other companies, but not yet believed by Wall Street. In that case Wall Street will have to abandon its cherished assumption that corporate earnings will make a major rebound by the second or third quarter of this year. It could then prove extremely difficult to justify even the currently "modest" valuations of US *equities, which are selling at* an average of 13.5 times their earnings in 1989.

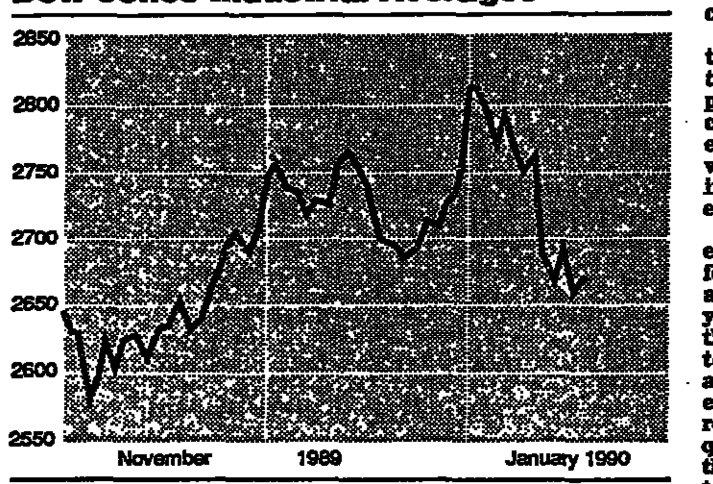
Alternatively, the central bank will be forced to ease in an embarrassing showdown with the Congress and White House, a conflict which will aggravate the distress among bond investors and the tension in currency markets around the world.

Either way, the pincer movement between falling profits and stubborn inflationary expectations may leave the *market nowhere to go but* down.

Monday	2669.37	− 19.84
Tuesday	2692.62	+ 23.25
Wednesday	2659.13	− 33.49
Thursday	2666.38	+ 7.25

Anatole Kaletsky

Dow Jones Industrial Averages



JUNIOR MARKETS

Small may yet be bountiful

IF AN investment genius is someone with a short memory in a rising market, a lot of smaller company investors must be nursing bruised egos.

A year ago, Hoare Govett took a poll of smaller company fund managers. They forecast that small companies, as measured by the Hoare Govett Smaller Companies index (HGSC), would outperform the FT-SE 100 index by 4.2 per cent. If so, it would be in keeping with the outperformance of *smaller* companies of the last few years.

In the event, small companies turned in one of the very worst years on record. The HGSC *underperformed* the FT-A All-Share by 25 per cent, after producing a return (with dividends re-invested) of 10.8 per cent. The Extended HGSC — which includes *USM stocks* that fall within the HGSC band — did even worse with a full year gain of 9.6 per cent.

The private investor who is an enthusiast for small companies may take some solace in this evidence of professional fallibility. Other crumbs of comfort can also be gleaned from a report on the HGSC in 1989, published this week.

For one thing, the data provides yet more evidence of the long-term virtues of small companies. Since 1955, the HGSC, with dividends re-invested, produced an annualised return of 20 per cent, which amounts to an annual outperformance averaging 5.5 per cent per year.

Nor has the pattern of the last few years been a freakish one. "By historical standards, recent levels of performance, both good and poor, have been fairly typical when viewed over a five-year investment horizon," says Hoare Govett.

For another, this performance has been obtained without too much risk. The volatility of returns *on* the HGSC has been similar to that of the FT-A All-Share, suggesting that a well-spread portfolio of smaller companies is no riskier than a portfolio *of larger ones.*

Historically, small companies have been particularly likely to perform well relative to large companies in a bearish or static *stockmarket.* Last year, however, provided an exception to this rule in the mini-crash in October — when small companies suffered.

The HGSC, *which is* produced by Dr Elroy Dimson and Professor Paul Marsh at the London Business School, may shed some other light on smaller company investment.

For example, it calls into question the emphasis that fund managers put on sector ratings. Last year there appeared to be indiscriminate underperformance by smaller companies regardless of sector.

Every sub-sector of the HGSC underperformed the FT-A All-Share," it seems, except for brewers and distillers (the HGSC includes Macallan-Glenlivet, the top-performing whisky distiller), chemicals and other financials.

"Over 1989, as in 1988, 1987 and 1986, size exposure seems to have been at least as important as sector exposure from the perspective of the professional fund manager," says Hoare Govett.

It also says that investors sometimes focus too much on the capital gains from investing in smaller companies.

The inflation adjusted growth rate in HGSC dividends during 1955-89 was 3.5 per cent a year — more than twice the dividend growth rate achieved by larger companies over the same period.

If a tax-exempt investor put £1,000 in smaller companies in 1955 and re-invested the dividends, the portfolio would now be worth more than £500,000.

If the dividends were excluded, however, the portfolio would be worth a mere £74,000.

On a p/e multiple of 11.8, the HGSC now sells on a lower ratio than at any year-end since 1982 — and at a lower rating, relative to the market as a whole, than at any stage during the 1980s.

"Since small companies have now experienced much of a price increase during 1989, UK investors appear to be discounting a substantial fall in the earnings growth of smaller companies," reasons Hoare Govett.

It is not surprising that most managers of UK-based smaller company funds have found it exceedingly difficult to buck the trend.

Investors with more latitude have been able to do rather better, as shown by yesterday's results from St Andrew Trust, an investment trust run by Martin Currie Investment Management in Edinburgh, which has some 40 per cent of its funds overseas.

During 1989, the net asset value of the trust increased by 27.5 per cent, which puts it among the top performing smaller company trusts.

The firm ascribes part of its success to the soaring markets in Europe in the year's first half and the outperformance of smaller companies in Japan.

It also notched up an impressive 24 per cent rise in the UK. To some extent that can be credited to holdings of shares like Macallan-Glenlivet and Cityvision, which increased in value by 339 per cent and 191 per cent respectively.

Its rather generous definition of a "smaller company," however — which has even extended to companies as large as Thorn EMI — has, as St Andrew admits, made life a bit easier.

Vanessa Houlder

Chartered surveyors scan the horizon for business

THE PRICE does not matter: just let there be transactions, let there be companies which want a property valuation, a rating appeal, a project managed, a site supervised, an investment appraisal. Just let there be *activity.*

If chartered surveyors were given to self-seeking prayer, then they would be praying for something along those lines now. *Chartered* surveyors lubricate the property industry, but the wheels are turning more slowly now and the results are beginning to show.

The proportion of *quoted* chartered surveyors is small but their figures — and there has been a mini-season of interim statements — lift a veil on a corner of the profession. There is not one company which has not been hurt in some way. Baker Harris Saunders, de Morgan and Savills all had lower pre-tax profits. Fletcher King had a 10 per cent rise and Debenham Tewson & Chinnocks had a 19 per cent increase.

Regardless of the special characteristics of each company, there are two general comments which can be made about these results.

The first concerns the property market generally. There is no doubt *that the* Government's regime of higher interest rateshas created a degree of uncertainty in the property market. This goes beyond the mechanics of financing particular projects into the realm of the timing of decisions about the taking of new space, about the provision of new investment. *The result of this has* been progressively to slow down the pace of the property market.

The second follows on from *this and affects the* chartered surveyors specifically. Once the market begins to slow down, pressure develops on the margins of the companies. *Deals are still being done* but they are taking longer. So the running costs of the business have to be carried longer before the fee income on the buying, selling or leasing side of the business comes through.

Against this background, even Debenham Tewson & Chinnocks, with the best results of the crop, has had to take action to hold down costs. *It has* trimmed £2m from its budgeted costs for the current financial year by delaying programmes of expansion and suspending plans to recruit more support staff.

In the case of Baker Harris, which in fact delayed the announcement of its results simply in order to sort itself out, not only *have* expansion programmes have been held back but there have been redundancies as well.

Baker Harris was doubly handicapped because it was coping with a downturn in the market at the same time as it had been spending heavily on computer systems and so on. *Its investment had* been made in order to meet instructions which would not provide fee income for perhaps two years.

It as at this point that the market downturn affects not only attitudes to costs but also the pace at which revenue is earned. One reason de Morgan *put forward for its* profits slide was that expected fee income had simply not arrived, but would come in the second half.

Because chartered surveyors are often not paid until the completion of an instruction — a building fully let, for example — a delay by potential tenants in deciding whether to sign up inevitably means that there is a delay in receiving the fees.

This does not mean that the business of the chartered surveyors is drying up. They all say they have never been so busy: the instructions pour in. But it does mean they have to work harder to bring the fees in.

Yet this does not explain why two of the chartered surveyors increased their profits and three did not. The explanation lies in the structure of each business. Savills is distinct because it obtains a higher proportion of its revenue from the residential market. That revenue simply disappeared.

But de Morgan and Baker Harris, relatively, are narrowly based. de Morgan has specialised in a few, high value added, sections of the property market. If any of them run into difficulties there is a problem. Baker Harris, despite expansion into the West End of London and links to the US, remains fundamentally a City of London practice — and the City is one area in which a large number of property professionals see problems of over-supply of space.

By contrast, Debenham Tewson and Fletcher King have wide-ranging businesses, so that if the buying and selling dries up in one area it might be compensated in another. And there is always a steady flow of income from professional services: somebody always wants a valuation done or a rating appeal made.

In a slowing property market, there is a strength in diversity, which expains why the stock market has put Debenham Tewson & Chinnocks on twice the price-earnings ratio it has given to Baker Harris.

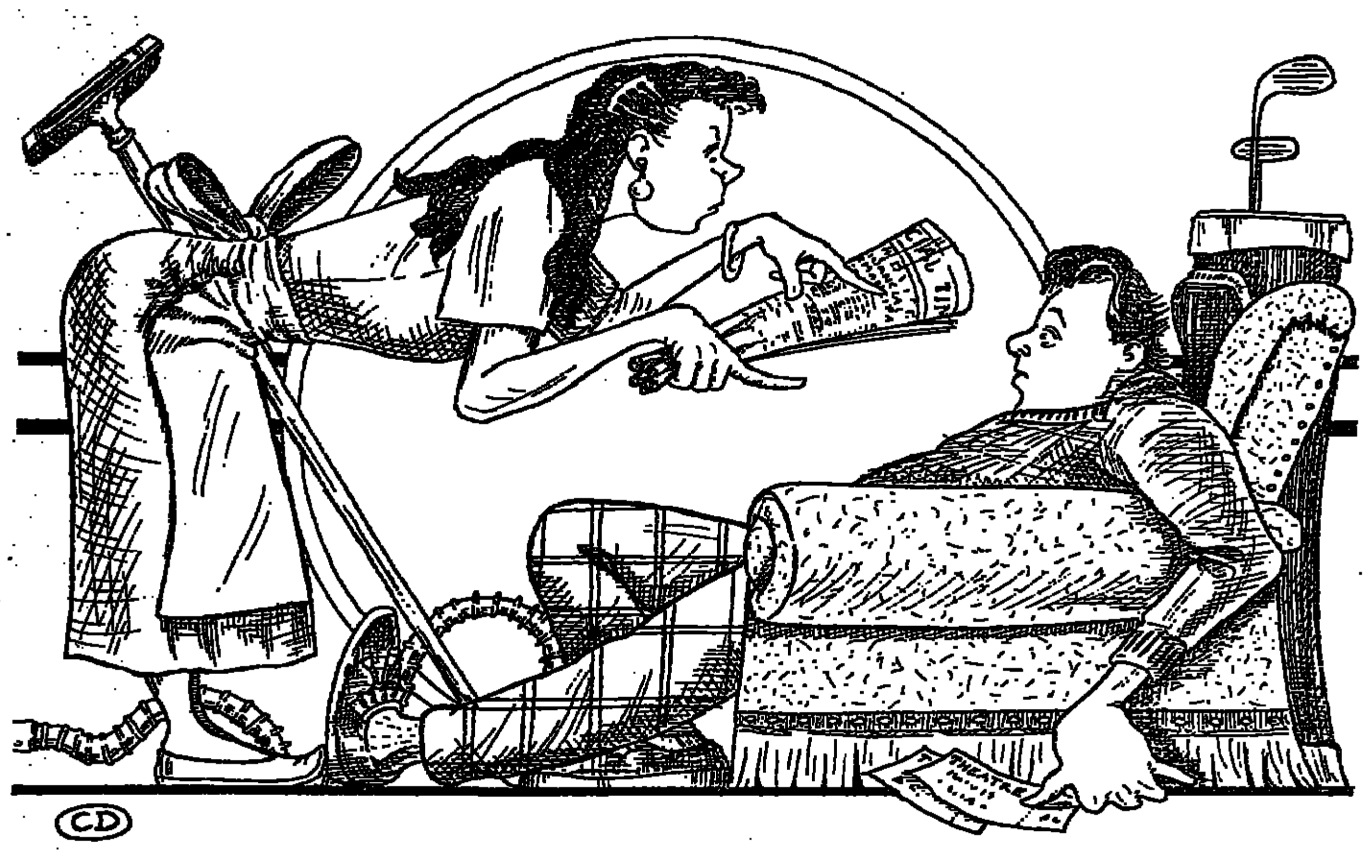
Paul Cheeseright

Richard Lay, the chairman of Debenham Tewson & Chinnocks

FINANCE & THE FAMILY

Alfred thought taxation was HIS department . . . until his wife discovered Mr Lawson's tax revolution. By **Terry Dodsworth**

Mrs Jones declares her independence



HALF-WAY through the morning after the Jones family's New Year's Day party, Mrs Alfred Jones switched off her vacuum cleaner, dropped into her fireside chair and poured herself a cup of tea. Idly, she picked up her husband's two-day-old newspaper, a heavyweight financial daily that she normally touched only on its way to the dustbin. Then something caught her eye.

Independent taxation for married women will be introduced in the new tax year. It will give wives a similar structure of allowances to men, although husbands will continue to have a special married man's allowance.

"Independent taxation," she read. "The married woman's way to financial emancipation."

"Financial emancipation – what a laugh," she thought to herself. "Alfred wouldn't know what it meant." Nevertheless, she started to read. The article was rather heavy going, with long sentences and lots of the sort of words Alfred was prone to use with his banker friends.

As she ploughed on, however, she began to get the message. With one of his parting shots, poor Nigel Lawson, whose boyish face she had always rather liked when he was still Chancellor, had decided to allow women like herself to make out their own tax returns.

"Alfred never told me about this," she thought. "All he ever talks about is how Mr Lawson has messed up the money supply, whatever that is."

Then her mouth set in a hard little line which Alfred would scarcely have recognised. This, she decided, was the day that Mrs Alfred Jones was going to become Mrs Susan Jones – or even, if she was brave enough, Susan Matthews again.

When Alfred rolled in from his bankers' golfing party at 4 pm he looked anything but the serious City sharp-shooter of everyday life. There was a smile on his face, a ruddy tinge to his cheeks and a slight lisp in his speech. And for once he looked at Susan as though she was a real person, not just his kitchen skivvy.

"Happy New Year, Mrs Alfred Jones," he said, sweeping her into his arms, "and may it be a prosperous one, too." Then he thrust his hand into his pocket and pulled out a couple of theatre tickets which he brandished in the air. "We're off to the theatre tonight, my darling. I won these in the club sweepstake."

Susan took a deep breath, disentangled herself from Alfred's arms and stepped back. Now, she thought, was the moment to act, while the iron, so to speak, was hot.

"Just a moment, Alfred," she said, with a slight tremble in her voice. "I want a little talk first – about us." Then as a bewildered expression crossed Alfred's face, the words came tumbling out.

"I'm getting fed up with this 'Mrs Alfred Jones' nonsense. You just take me for granted these days and you never consult me on anything. You've never even said a word," she went on, stamping her foot, "about independent taxation!"

Alfred slumped in a chair, looking bemused and, she thought, thoroughly superior, just as she had thought he would. He raised his 'I-know-better-than-you' eyebrows.

"Independent taxation?" he responded airily. "Don't let the taxman worry you, Susan. I'll take care of it, just as I've always done."

As now, most taxpayers will be dealt with automatically through the PAYE system and will not have to file their tax returns. But those couples who currently make filings will probably need to make individual declarations next year.

"That's all very well, Alfred," said Susan firmly, dropping into the chair opposite him, "but remember that I'm going to have to sign a separate declaration in future. I'm not going to put my name to anything I've no control over."

"Sure, you've got to sign, Susan," Albert said, "but it doesn't really matter about the documentation. This independent taxation thing doesn't make much difference – just one of old Lawson's publicity stunts, if you ask me."

"Perhaps, Alfred, you've not understood it very well," said Susan. "It wouldn't have made much difference to us if I wasn't getting all that income from the money daddy gave me this year. But I can take full advantage of the earnings on that now, and we ought to be looking at how that little salary from my play-school job affects your marginal rate."

Susan stressed the "little job" line heavily, because of the dismissive way Alfred usually referred to it. Then she waited for the withering sarcasm that was his normal weapon in these situations.

"Marginal rate? Really, Susan, where did you pick that one up? Been reading my newspaper again?" Then his voice softened. "Honestly, you should leave everything to me. I'm the banker in the family, after all, and I've been through this income tax business a hundred times before. For example, you've got completely the wrong end of the stick on investment income. The only earnings married women can protect from the taxman is what they've made from employment."

Susan felt a deep stab of pleasure, the kind of sensation, she imagined, that a fly fisherman had when he hooked a trout.

"But Alfred," she said, "you're wrong. That just isn't the case any more." This, she thought, was how Mrs Thatcher must feel sometimes when she was ticking off a pompous male Cabinet Minister. "The rules have been changed. You should have been doing your homework."

When she saw Alfred turning red she recognised that she might have gone too far. But suddenly she was enjoying herself. Before Alfred had time to collect his thoughts, she rushed on, trying a slightly more conciliatory tack.

"I don't know an awful lot, myself, only what I've read in that paper of yours," she said.

One of the key changes in the rules: married women will now have their own personal allowance against which they can set either their earnings from employment or investment income. Previously their savings were taxed as part of their husband's earnings.

"But under the new system, married women will have their own personal allowances to set against their own income. Up to now, you've had to treat my income as yours and then get tax reductions through your married man's allowance.

"Of course," she went on, "you've also been able to use the married woman's earned income allowance – but that was only applicable to the money I was making at the

> **'Financial emancipation: what a laugh,' Susan thought to herself. 'Alfred wouldn't even know what it meant!'**

play-school. So the £500 or so I am due to get next year from the shares Daddy gave me would have been fully taxed at your 40 per cent marginal rate."

Alfred had, by now, regained his composure. He had been doing some fast thinking as Susan was talking; and his response showed the smart diplomatic skills which, at the age of 28, had put him on the fast-track in the bank's career structure.

"Susan, I do believe you're on to something – I haven't read all that I should on this one. But I still think you should leave it to me. I'll trot in and see the bank's tax expert after the holiday and let him do all the hard work."

"That's fine, Alfred, but I just don't think it would be very fair on me." She looked at him appealingly, softening her voice.

"I want to be more of a partner to you than I am at the moment. Mr Lawson has given me the opportunity to achieve that – and, anyway, I've now mapped out a tax strategy that should be as good as any your banking friend can show us."

Alfred sighed. He would have to humour her. "OK, let's have it," he said, unable to keep the habitual tone of superiority out of his voice.

Susan leaned forward and picked up a sheet of foolscap from the coffee table. "I'm not very experienced at this sort of thing," she said, "so I've tried to keep it simple. I've arranged the plan around four main points."

"Go on," said Alfred.

Although the change supports the idea of independence for women, the biggest tax savings will be reaped paradoxically by couples who are prepared to co-operate.

"Right. Well, first we've got to decide whether we really want to be independent or whether to work together as a team. I must admit that complete independence has its attractions, but it's obviously more efficient to co-operate, so I suggest that's what we should do. However, we need complete honesty. Agreed?"

For a second, Alfred hesitated. But then he noticed the glint in Susan's eye. "OK, Susan. Agreed," he replied.

"Good. The second point is to shelter as much of our income as possible from tax.

Under the new rules, couples can elect who should receive tax relief on mortgage interest payments, irrespective of who took out the loan.

"That means I'm going to stop trying to shift half of the mortgage into my name." Susan smiled. "That was just one of my liberationist gestures, but I agree now that you were right to oppose the idea – it just doesn't make sense for tax purposes. If you take all the mortgage interest relief it will bring your taxable income down to about £30,000, which means that only £9,300 gets into the higher rate 40 per cent tax bracket."

Alfred nodded approvingly, despite himself. This sort of financial language was music to his ears – and, of course, Susan's concession on the mortgage meant that she had been won round to his own point of view.

"Good thinking, Susan. Now what's the third point?"

To maximise their gains, couples should aim for the most effective use of the allowances available to both of them. Thus each will want to keep as much of his or her income out of the 40 per cent tax bracket as possible and both should try to use up the basic tax-free allowance. To achieve this, assets will have to be swapped in many couples. Income cannot be transferred.

"You're not going to like this quite so much," she said, "but I think you ought to sign some of your investments over to me. That would take more of your income out of the 40 per cent tax bracket and mean that we can maximise our joint . . ."

"Just a minute, just a minute," Alfred interrupted, alarm written all over his face. "You don't know anything about my investments – and, anyway, it's my money. Once I put it into your name I'll lose control over it entirely."

The big snag in transferring assets is that the swap has to be irrevocable – so your partner could run off with the gains.

"You're dead right about the control," Susan replied. "Once you sign it over it'll be mine – that's what the taxman says, according to your newspaper. So you'll just have to trust me. But then, that's what marriage is all about, isn't it?"

For once, Alfred was lost for words. He could see the sense of what Susan was telling him, but he didn't like the idea of her looking into his investment portfolio, let alone getting a direct claim on some of it. Despite his marriage vows, he had always had a mental reservation about how much of "his" money really belonged to both of them and it had suited him that Susan up to now had seemed so passive and incurious about their finances. She didn't even know, he recalled, about the building society high interest account that he had used to salt away the bonuses earned in the great bull market of the 1980s.

As he struggled for words, Alfred realised that his defences were crumbling against Susan's determined assault. He was beginning to feel like an ageing prize-fighter who had climbed into the ring with a fit young champion.

"I don't quite see the point you're driving at, Susan," he replied weakly.

"No? Well, it's quite simple, really. From what you've told me, you've got about £20,000 salted away at present, earning about £1,800 of gross interest on your Government bonds a year. But all of that £1,800 income gets taxed at 40 per cent – your marginal rate, remember? Transfer it to me and it will only attract tax at 25 per cent.

"Actually," she went on, "if you work out the figures, I might not be taxed on some of it at all. I only get £1,500 from my two afternoons at the play-school, so after adding the £500 from Daddy's shares, I shall still have almost £800 of my personal allowance left. So if you switch those investments into my name, about half of the income from them will be protected completely from tax – unless, that is, I take that new job I was offered."

"I might have known that that job business would come up again," said Alfred tetchily. "We've been through all that before, Susan. I was under the impression that we'd definitely decided against."

"Yes, I know, Alfred. But you're arguing that it didn't make much sense for me to work when 40 per cent was being swallowed up in your tax bill. That won't be true under the new rules. I shall be able to earn up to £20,700 before moving from the 25 per cent to the 40 per cent income tax band, just like you. And I would only get £12,000 from the new job."

Alfred was now beginning to feel dizzy. Hard as he tried, he couldn't remember anything at all about the new tax rules. All those lagers back at the club were not helping, he thought, but the real problem was that he had been so busy over the last couple of months that he had not mugged up on the changes as he should have done.

Susan, he conceded, seemed to have grasped the main issues very clearly . . . but wouldn't it be be better to play for time and keep her away from his finances? Time for bluff, he decided.

"All very interesting, Susan," he said dismissively. "But what about Capital Gains Tax?"

Susan grinned. For the first time since she had met Alfred she no longer felt intimidated by these strange technical terms – thanks to his newspaper. "OK then, tell me all about it, Alfred," she said sweetly. That'll call his bluff, she thought.

"Well the new rules change CGT to some extent," he responded, trying to remember exactly what the change was. "I . . . er . . . don't recall the details, but our expert was telling me that I ought to be thinking of more equity investment in the future."

Currently a married man can realise £5,000 of capital gains tax-free. Wives will have a similar allowance under the new rules, but the government has still to announce what it will be.

"I suspect that the reason he said that was that I should be getting a CGT allowance as well as you," Susan replied sharply.

"So if we both took some of our investment income as capital gains we could completely shelter a substantial sum each from tax. The figure is not yet settled, but it is likely to be more collectively than the £5,000 allowance you have at present."

"By the way," she added. "I was thinking . . . why don't you split up that bonus fund of yours, take it out of the building society, put it into equities, and manage it a bit more aggressively for capital gains?"

Alfred jumped as though he had been stung. He felt irritated and guilty at the same time. "What do you know about that fund, Susan? Have you been spying on me?"

"No, not at all. You haven't talked to me about it, but I couldn't help overhearing you boasting about it with your friends. And that article I've been reading just shows how silly you have been leaving it in a building society.

Irrevocable tax deducted at source - the sort levied on building society and bank deposits - is a mistake for married women if they have no other income. They should be looking for tax-free investments to set against their personal allowance.

"It attracts composite rate tax there, you know – about 22 per cent, deducted at source – and you can never claim that back. That's the lazy way out . . ."

Alfred had had enough. It may have been the lagers, but suddenly he made a momentous decision, one that was destined to put his marriage on a much more stable base and throw him into partnership, he found later, with a first-class financial brain. *(In years to come Sir Alfred Jones, chairman of Market Securities Unlimited, the global financial conglomerate, as his favourite newspaper used to call it, will remember that moment as the turning point of his financial life.)*

"Susan Matthews," he said. "You win. Game, set and match. No more secrets. No more Mrs Alfred Jones. Here's the key to my bureau, and we'll go through the accounts tomorrow if you like." He grinned. "Can't do it tonight – don't really feel up to it after all that . . . er . . . golf. And anyway, we're going to the theatre. Remember?"

Susan smiled back, just as he had hoped she would.

"I certainly do remember," she replied. "But first I'll take you out to dinner - all paid for by dear Mr Lawson."

FINANCE & THE FAMILY

The Week Ahead

Rank flies high with Batman

BATMAN, the movie, and Butlin's holiday camps play a big part in the good news at **Rank Organisation** (*preliminary results due on Thursday*). The long hot summer gave a welcome boost to UK holiday operations – particularly the revamped Butlin's holiday centres but also Haven Holidays – as Britons forsook crowded Mediterranean beaches to holiday at home. And a summer of blockbuster films, including *Batman*, will have helped increase cinema audiences in spite of the same sunshine which kept some film fans out of darkened cinemas.

The key question, however, is how far Rank Xerox's contribution will increase after its disappointing performance in the first half of the financial year. Rank has no direct control over Xerox but is judged more often than not on its results rather than on the contributions from Rank's managed businesses. City expectations for full-year pre-tax profits range from £285m to £290m.

After a record year for art sales, **Sotheby's Holdings**, shares in which are quoted in London and New York, is expected to report 1989 profits up to $178m before tax on Thursday, compared with $99.3m in the previous year.

However, observers are likely to be more interested in the group's comments on the future of the international art market than in the fourth quarter figures. In particular, art buyers will want to know whether the volume and quality of last year's sales can be sustained into 1990, and whether Sotheby's plans any further amendments to its controversial policy of extending loans to art buyers.

Sotheby's announced a week ago that it had altered the policy – which is not pursued by its main rival, Christies – so that prospective buyers could no longer use the object being bought as security for a loan. The change follows the failure of Alan Bond, the embattled Australian businessman, to repay a loan on the $53.9m purchase of Van Gogh's *Irises* two years ago.

Gestetner, the office equipment group, is expected to boost pre-tax profits for the year to October 31 to £35m-£36m from £28.8m last time, when it reports on Wednesday. It will be helped by further improvement in margins as the group's recovery phase nears completion and by the relative weakness during the period of sterling in relation to other European currencies. A modest contribution is also anticipated from Hanimex, the Australian photographic equipment group acquired last August.

Analysts will be particularly keen to ascertain the magnitude of interest charges for the period and to observe whether significant progress has been made on cutting working capital management. Some foresee a 1p increase in total dividend to 6.5p. The interim dividend was raised 50 per cent to 1.5p.

The building products sector may be dogged by gloom over the decline in the housing market, but analysts are expecting Newman Tonks, the Birmingham-based architectural hardware group, to have bucked the trend when it turns in its 1989 results on Wednesday.

Tonks, after all, has little exposure to the domestic and DIY sectors, instead concentrating on the architect-specified commercial market; meanwhile, a series of acquisitions that have increased the group's exposure to the healthier US and Continental markets should help take profits ahead some 25 per cent to around £21m against £16.8m last time.

Investment for the nervous

UNIT TRUST investors these days may be offered a variety of cleverly packaged products. Some are quite unrecognisable from the straightforward collective share investment contract that has been around, virtually unchanged, for more than 50 years.

In particular, life companies involved in the unit trust business have started to launch products that are intended to take the investment risk out of equities, without greatly penalising the investor.

Two such products came on stream this week, aimed at luring the more nervous private investors – frightened out of their wits by the stock market crash in October 1987 – back into unit trusts.

Legal & General is one of the pioneers in the field of eliminating risk from equity investment, but so far its efforts have been concentrated on pension contracts. Now the company has turned its attention to the ordinary investor, with the launch of its Protected Equity Investment, a rather complex scheme.

First the investor selects the investment period during which he requires protection. This could be three, four or five years. Then for every £100 invested, £95 is placed in unit trusts (subject to the usual charges) and the remaining £5 meets the cost of insuring against a fall in the market over the investment period. Investors have a choice of two L&G unit trusts in which to invest – the UK Recovery Fund and the Equity Income Trust – with switching facilities. A PEP version is available.

The insurance is based on the movement of the FT-SE 100 Index (Footsie). If the index falls over the selected investment period, the investor is compensated by the amount of the fall in that index – not the amount of the fall in the unit trust selected. So if the fall in the Recovery Fund is less than the fall in Footsie the investor would be over-compensated, whereas if the fall was greater the investor would be under-compensated.

Although various equity sectors tend to move in the same general direction, the correlation is far from perfect. The Recovery Fund, by its very nature, can be expected to be far more volatile than an index based on the largest 100 companies. The position is complicated further because Footsie is based on capital movements only, while the unit trust return includes re-invested income.

The cost of this insurance seems high, but it reflects the cost of taking out the appropriate Footsie option. However, add this to the 6 per cent initial charge on the unit trust investment and this becomes an expensive product.

Investors need to remember that had such a product been available over the past 40 years, the insurance would have been used only once – when the stock market was lower than it had been three, four or five years previously. This happened not in October 1987, but at the end of 1974 and in the first few days of 1975. It seems a high price to pay for peace of mind.

By contrast, the underlying insurance with the new product from Pearl Unit Trusts, TrustWorthy, is supposed to come free – as least in as far as the investor does not have to pay any extra on top of the usual charges.

The product is aimed at the trustees of private trusts, who can face an investment dilemma. A common form of trust is where an individual leaves the assets in trust to provide an income for life for his wife on his death. On her death, the capital reverts to the children. The dilemma facing trustees is to provide a high and increasing level of income, while still preserving the capital against inflation.

Pearl is offering its UK Income Trust to provide a secure and rising income and guarantees to buy back the units at the initial price on the death of the life tenant. Furthermore, this guarantee is reset every three years, so that the equity gain over the period is consolidated in the guarantee and the real value maintained. Remember, however, that it is only triggered off by death.

Eric Short

A long-term bet

A 25-YEAR fixed rate mortgage of 11.95 per cent is to be launched next month by Bear Stearns Home Loans, a subsidiary of the New York-based Bear Stearns investment group. The loans, to be marketed through a number of life assurance companies, start at a minimum of £16,000 and go up to a maximum of £500,000.

Bear Stearns says that there will be no penalty for early redemption of the mortgages. The minimum down payment will be 10 per cent, and there will be a 3 per cent fee that can be added to the loan's balance or paid separately up front. According to the US company, average interest rates on variable rate home loans in the UK have amounted to 12.68 per cent over the last 10 years, often with redemption penalties.

Terry Dodsworth

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Alexander (W.)	113*	113	112	32.02	Spotlaunch
Britannia Sec.	141§	142	109	110.97	ADT
Builder Grp.	340*	335	335	58.10	CEP Comms.
Carron Phoenix	60*	80	38	6.83	Groupe Bene
Carron Phoenix	73*§	80	79	8.32	Franke Hldg. AG
Green (J.)	100*	104	93	6.75	Waco Grp.
Hartwell	136*§	140	120	107.5	Oakhill
Do. 7.875pc Pf	124.7*§	129	104	43.65	Oakhill
Hestair‡	325*	322	306	192.00	BET
Higgs & Hill	482§§	409	302	163.13	Lovell (Y.J.)
KLP Group	238*	232	160	23.60	RSCG
Do. Conv. Pref.	87*	85	67	8.44	RSCG
Mackay (Hugh)	127§	120	132	7.60	Allied Textile
Metal Closures	195§§	183	159	50.10	Wassall
Monotype‡	160*	162	110	32.24	Pointplus
Myson‡	240*§	238	224	197.50	Blue Circle
Nat. Telecom.	60*	59	49	20.39	Alcatel
Saga Group	300*§	294	294	54.24	SLL
Sanderson Murray	175*	203	150	3.325	Rickett Mitchell
TDS Circuits	10*	22	20	0.90	Teknecomp
UK Paper‡	375*	370	336	298.94	Fletcher Chal'ge
VG Instruments‡	535*	539	535	270.20	Fisons
Woodington	37½	38	42	8.30	Bridgend Group

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 19/1/90.†At suspension. §§Shares and cash.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Acals Group	Tuesday	-	0.6	0.3
Aukett Associates	Tuesday	-	3.0	1.25
Baldwin	Monday	1.0	1.0⁑	1.15†
Camford Engineering	Wednesday	1.0	4.0	1.3
Chrysalis Group	Wednesday	2.0	2.0	-
Company of Designers	Wednesday	1.1	2.4	1.25
Continental Assets Trust	Wednesday	-	0.35	-
Derby Trust	Thursday	5.0594	6.283⁑	6.5176
Gestetner Holdings	Wednesday	1.0	4.5	1.5
Greenfriars Investment Trust	Friday	-	3.5	-
Heavitree Brewery	Friday	2.4	11.6	3.0
Hill & Smith Holdings	Thursday	1.55	3.45	1.75
Kershaw A. & Sons	Thursday	6.0	16.25	8.0
Lonrho	Thursday	1.0	8.0	3.0
Newman Tonks Group	Wednesday	3.4	5.1	3.8
Pavilion Leisure Holdings	Tuesday	-	-	1.0
Rank Organisation	Thursday	8.5	17.75	9.5
Tranwood	Friday	-	1.5	1.0
Warner Estates Holdings	Thursday	2.0	4.25	2.5
Whitegate Leisure	Friday	-	-	-
INTERIM DIVIDENDS				
Associated British Consultant	Monday	-	-	-
Assoc. Nursing Services	Wednesday	-	2.0	-
Beales John	Monday	1.85	5.75	-
British Bloodstock Agency	Wednesday	2.5	6.3	-
Cassidy Brothers	Friday	0.45	2.7	-
Daejan Holdings	Thursday	8.0	14.0	-
Dyson J. & J.	Friday	2.0	3.0	-
Electron House	Wednesday	2.5	3.1	-
Farepak	Thursday	-	1.575	-
Fitch Lovell	Thursday	4.0	8.25	-
Flogas	Wednesday	2.19	3.746	-
GT Japan Investment Trust	Monday	0.5	1.5	-
Heath Samuel & Sons	Monday	1.0	3.3	-
Hidong Estate	Friday	-	-	-
Highland Electronics Group	Wednesday	1.0	2.3	-
Hilclare	Wednesday	-	-	-
Investors Capital Trust	Friday♥	4.1††	4.4	4.2††
Kingsgrange	Tuesday	0.75	-	-
Knobs & Knockers	Thursday	0.8	1.5	-
Lebowa Platinum Mines	Wednesday©	2.5	5.0	-
Logitek	Wednesday	1.2	2.4	-
McKay Securities	Thursday	2.5	2.8	-
Menvier-Swain Group	Monday	1.6	3.6	-
Misys	Thursday	1.8	3.0	-
Murray Smaller Markets Trust	Tuesday	0.65	2.0	-
Newmark Louis	Thursday	5.3	9.4	-
Park Food Group	Thursday	1.95	4.35	-
Property Security Inv. Tst.	Wednesday	1.5	2.25	-
Raglan Property Trust	Thursday	-	0.165	-
Real Time Control	Friday	-	-	-
Richmond Oil & Gas	Tuesday	-	-	-
Rustenburg Platinum Hldgs.	Wednesday©	115.0	185.0	-
Saville Gordon J. Group	Tuesday	0.4	1.6	-
Scott Pickford	Tuesday	-	0.375	-
Sotheby's Holdings	Thursday‡	6.25	6.25	6.0
Wentworth International Group	Wednesday	-	1.9	-
Westport Group	Monday	[illegible]	[illegible]	[illegible]
Wood John D.	Tuesday	1.5	0.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.⁑ 2nd interim.† Final payment for 6 months.‡ 4th quarter figures/quarterly dividends paid in US cents.© South African cents per share.♥ Quarter figures.†† Quarterly dividends.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Anglia TV	Oct	18,480	(16,020)	27.9	(23.9)	9.0	(7.75)
Burndene Invests	Sept	3,970	(3,570)	24.8	(25.2)	8.0	(7.0)
Chelsea Man	June#	2,100	(1,580)	17.9	(9.19)	2.9	(2.9)
Devenport Vernon	Sept	2,470	(2,440)	14.3	(16.8)	3.5	(-)
Denmans Elect.	Sept	2,060	(1,677)	33.5	(24.9)	5.5	(4.55)
Eurotherm Int'l.	Oct	17,560	(15,770)	26.4	(23.5)	6.3	(5.33)
Evode Group	Sept	11,600	(9,040)	13.1	(13.4)	6.04	(5.25)
First Leisure	Oct	25,200	(20,160)	13.7	(10.3)	3.66	(2.93)
Honorbilt Group	June⁑	1,430	(544)	2.08	(1.05)	-	(-)
KLP Group	Sept	4,550	(2,570)	22.2	(13.3)	7.5	(6.5)
Lon. & Clydeside	Sept	2,390	(1,490)	16.1	(10.2)	6.3	(5.7)
London Scottish	Oct	3,350	(2,860)	4.8	(4.4)	2.4	(2.05)
Lookers	Sept	6,830	(6,320)	25.5	(25.0)	6.2	(5.35)
Macarthy	Sept	6,500	(6,140)	16.1	(15.9)	12.5	(11.5)
Neotronics Tech.	Sept	1,870	(1,830)	4.71	(4.86)	1.8	(1.8)
Soundtracs	Nov	752	(822)	4.86	(5.32)	2.2	(2.2)
Sturge Holdings.	Sept	31,200	(17,200)	36.3	(19.6)	15.0	(10.0)
TVS Entertain.	Oct	13,700	(26,100)	11.9	(37.6)	5.0	(13.2)
Trilion	Sept	1,130	(602 L)	1.8	(-)	0.5	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aberdeen Trust Hldgs	Sept	510	(426 L)	0.5	(-)
Allied Leisure	Dec♥♥	942	(515)	1.1	(0.55)
ATP Communications	Sept‡	103	(1,580 L)	-	(-)
Barbour Index	Oct	2,730	(2,180)	2.0	(1.25)
Biotechnology Invest	Nov	88 ⊕	(191 ⊕)	1.5†	(-)
Borland Int'l.	Dec⁑⁑	4,020⊕	(845⊕)	-	(-)
Cantors	Oct	952	(926)	1.0	(1.0)
Clark Matthew & Sons	Oct	2,990	(3,270)	5.75	(5.5)
Colefax & Fowler	Oct	1,420	(717)	1.3	(1.1)
Crossroads Oil Group	Sept	93 L	(151 L)	-	(-)
Dalepak Foods	Oct	704	(511)	1.03	(0.9)
Debenham Tewson	Oct	4,170	(3,510)	2.4	(2.0)
de Morgan Group	Oct	150	(1,130)	1.37	(1.25)
Electron House	Nov	1,650	(2,010)	2.75	(2.5)
Empire Stores	Nov	1,730 L	(2,680)	-	(1.95)
Excalibur Group	Oct	1,550	(1,090)	0.3	(0.25)
Ferranti	Sept	15,400L	(16,600)	-	(0.76)
Fletcher King	Oct	1,310	(1,190)	4.3	(4.3)
Gartmore American	Dec††	961	(-)	2.5	(-)
Geevor	Sept	28	(260 L)	-	(-)
Hampson Industries	Sept	3,270	(2,350)	0.6	(0.46)
Harrison Industries	Sept	1,750	(423)	2.3	(2.1)
Investment Company	Sept	981	(1,240)	0.37	(0.25)
Isosceles	Nov♥	30,000L	(-)	-	(-)
Jarvis	Sept	1,070	(453)	0.82	(0.75)
Jurys Hotel Group	Oct‡‡	2,330	(1,650)	2.0	(1.6)
Mitie Group	Sept	262	(76)	-	(-)
Mosaic Investments	Oct	1,910	(718)	3.0	(2.0)
Mountleigh Group	Oct	20,400	(24,800)	1.25	(1.25)
Northern Industrial	Sept	204	(181)	-	(-)
Osprey Communems.	Nov	670	(322)	1.35	(1.2)
Palmerston Holdings	Sept	1,800	(1,540)	3.02	(2.75)
Primadona Invest.	Dec	205	(69)	1.5	(1.25)
Property Trust	Sept	585	(186)	-	(-)
Security Archives	Sept	437	(414)	2.5	(2.0)
Severn Trent	Sept	55,300	(-)	-	(-)
Shield Group	Sept	85	(842)	-	(-)
Sommerville William	Nov	336	(330)	1.0	(1.0)
Stanley Leisure	Oct	4,220	(2,425)	2.0	(1.75)
Symonds Engineering	Sept	223	(131)	0.45	(0.3)
Telford Group	Oct	9	(381 L)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.⁑ This year's figures for a 15 month period.‡ Last year's figures for 7 months.† US cents.⊕ US dollars.♥ Figure for a 13 week period.# This year's figures for a 14 month period.‡‡ Irish punts & pence.♥♥ This year's figures for a 23 week period.⁑⁑ 3rd quarter figures.†† Figures for 9 months.

RIGHTS ISSUES

Cook William is to raise £12.1m via a 3-for-10 rights issue at 280p.
Ferranti is planning to raise £187m via a one-for-one rights issue at 25p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Plateau Mining is to join the main market via a placing which capitalises the company at £16.8m.

Expatriates

A taxing deadline

AS ALMOST everyone in life assurance knows, there is nothing like a deadline to close a sale. There are signs that as Chancellor John Major's first Budget approaches, expatriates may be told to "act now to beat the taxman" on offshore insurance products, notably single-premium bonds and 10-plus policies. However, don't be pushed, you need to think very carefully before making such an investment.

The Inland Revenue issued a consultative document entitled *The Taxation of Life Assurance* in June 1988, which resulted in several new sections in last year's Finance Act, with more to come. These somewhat esoteric provisions are meant to repair anomalies in the law which often enabled UK life companies to pay substantially less tax than expected. This in turn upset the general principle that companies would pay basic tax on behalf of their policy holders and leave individual investors to meet any higher rate liability, where appropriate.

Naturally, these changes do not affect offshore companies, beyond the reach of UK tax. The only option is to tax the UK policy holders directly.

Although the consultative document did not mention offshore companies at all, Chapter 11 dealt at length with the tax treatment of policy holders – a matter still very much on the agenda.

One of the matters canvassed was the possible elimination of the annual 5 per cent, tax-deferred drawing that applies to single-premium bonds (the premium allowance is sometimes known as "tax-free" drawing, although that is an incorrect description). Clearly, any such move could be expected to apply equally to all UK resident policy holders, regardless of where the issuing life company was based. Hence the suggestion to buy now while stocks last.

If the Budget does contain such proposals, however, can we be sure that they will not date back to January 1 1990? While that is unlikely, there is a recent precedent for applying new taxation to existing policies. This occurred when, from November 17 1983, holders of offshore qualifying policies lost the right to draw a stream of tax-free income, unless they first repatriated the policy. Subsequent profits were liable to tax in the hands of the life company. In any case, such speculation should not be allowed to obscure a wider issue.

Expatriates who intend ultimately to return to the UK must consider whether offshore policies under current legislation are as advantageous as many advisers clearly consider. Opinions differ sharply, and the matter is guaranteed to generate much heat – substantial sums are at stake.

For a start, the current tax treatment looks favourable. Investment in offshore 10-year policies accumulates entirely free of UK tax while the investor is non-resident, and although the policy must be repatriated within one year of his return home, the maturity benefits can often be drawn over a number of years without any liability to personal tax.

In the case of single-premium bonds, tax-free roll-up continues even after you have resumed UK residence. In fact no tax is payable until benefits are drawn. Even then, until final encashment the 5 per cent drawing per annum rule avoids immediate liability. When a charge does occur, any portion of the gain relative to the bond holder's period overseas is exempted, while the rest is subject to top-slicing relief.

So far as the 10-plus policies are concerned, few expatriates can confidently commit themselves to substantial payments so far ahead. Should they miscalculate, early termination might produce a most unsatisfactory result.

A further drawback (shared by some single-premium bonds) is that one's choice of underlying investments is inevitably restricted. Even if there are 100 or more funds to choose from, any particular sector could offer you a choice of only six or seven funds, none of which might be among the market leaders. Unfortunately few such policies show a really satisfactory performance.

Single-premium bonds of the personal portfolio variety avoid this restriction of choice, and there is no doubt that they have the ability to defer tax. However, projections are often made on the basis that the investment will be retained throughout the whole of one's life. This could be unrealistic, particularly if you propose to commit a substantial proportion of available resources in this way. It is difficult enough to predict what the situation is going to be five years from now, let alone in the 25 years or more which can elapse between retirement and death.

In addition, deferral can dam up the accruing tax liability which can reduce your freedom of manoeuvre – in other words disposal may become impossible. Worse still, bonds which are used to hold growth investments could turn out to be very expensive indeed. All bond gains are charged to income tax – basic and higher rate as appropriate – so the CGT annual exemption, indexation relief, right to set off losses against gains and elimination of liability on death cannot be used.

If you are thinking of investing in offshore policies, then consider the alternatives carefully. A hasty decision might be regretted at leisure.

Donald Elkin

■ *Donald Elkin is a director of Wilfred T. Fry, of Worthing, West Sussex.*

Eric Short on the new regulations for life salesmen

Guidance — at last

HAVE YOU bought any unit trusts, life assurance or pension policies recently? If so, were you shown a buyer's guide?

You should have seen one. Since January 1, intermediaries for life or unit trust companies have been obliged to present potential customers with a buyer's guide, which sets out what the customer is buying, from whom he is buying it, and what information he should expect to receive from the intermediary in the course of the purchase.

Under the polarisation requirements of the financial services regulations, intermediaries must also be either completely independent or else represent just one life company or unit trust group

Some customers have problems understanding the status of a firm, however, which represents one company through a tied-agency agreement, but which continues to trade under its own name. In fact the Securities and Investments Board (SIB) found that certain tied agents deliberately played down their connection with a life company. In other instances, SIB found that potential investors could not grasp the fact that while the intermediary was using his own trade name, he could only recommend one company's products.

Confusion over the disclosure of status was highlighted in a survey of life assurance salesmen's marketing methods, which the Consumer Association conducted last summer.

It found that nearly half of the tied salesmen involved were vague in describing their status, while one had the nerve to tell the investor he was both tied and independent – apparently unperturbed that he was breaking the financial services regulations. Even some bank staff were vague on their status when asked for investment advice.

The buyer's guide should end this confusion. The intermediary, whether independent or a company representative, corporate or individual, must give the client a copy at the start of the first interview – and the client should read it before proceeding any further.

Two guides has been prepared by the relevant self-regulating organisations: the guide for intermediaries has been written by Fimbra (Financial Intermediaries Managers and Brokers Regulatory Association) and by Imro (Investment Management Regulatory Organisation), while the guide for company representatives has been written by Lautro (Life Assurance and Unit Trust Regulatory Organisation). Failure to present a guide is a breach of the financial services regulations.

Many salesmen are still inadequately trained

The guides explain the two types of intermediary and what each can provide. If in doubt, the investor should ask the intermediary to explain his relationship with, say, the life company. The guides explain that the salesman is bound by the rules of a self-regulating organisation and gives its name. It says the salesman must inform the client of his legal right to change his mind – even after a sale has been completed – and give the period in which that right can be exercised, and any possible cost.

The need for a period in which the client can think carefully about his investment is amply illustrated by the Consumer Association's survey. The more astute salesmen have changed their tactics in the wake of the financial services regulations, with the hard sell bullying tactics being replaced by the soft persistent approach.

Under the financial services regulations, the potential investor is supposed to receive adequate information about the different investments that could meet his requirements before he makes his choice.

One client in the survey was given so much information about a multitude of products, however, that he was completely confused and only too willing to agree to the salesman's recommendation.

In such circumstances, a cooling-off period allows the investor time to reflect.

The guides set out the information that must be provided on the contract, including commission details if the intermediary is independent. This information is particularly useful in the cooling-off period, but you should not be afraid to ask questions.

Whether the introduction of a buyer's guide will affect the overall expertise of salesmen remains to be seen. The Consumer Association survey showed that many are still inadequately trained. Two of the association's investigators sought jobs as trainee salesmen with life companies (which were not named). At the end of one week's training they were supposedly ready to take to the road and sell life assurance. While well versed in sales techniques and ways of deflecting potential objections from clients, they didn't know the essential differences between endowments and personal equity plans.

With any luck, the Consumers Association will repeat the exercise soon to see what effect the buyer's guide has had on sales techniques.

Low-cost LOF offer

SMALL investors in London & Overseas Freighters (LOF), the UK tanker company, who want to sell their shares cheaply could make use of a special offer from the company's stockbrokers, Kitcat & Aitken.

LOF underwent a big capital reconstruction in November 1988, returning to profit the following spring. It has several thousand shareholders on its register with fewer than 500 shares. Obviously, selling those through a private client stockbroker could be rather expensive, with minimum commissions ranging from £17 to £40.

Kitcat & Aitken is only charging a commission of 0.25 per cent (closer to the institutional rate) for shareholders with up to 500 shares.

So if you have 500 LOF shares, currently trading at around 115p, it would cost only £1.44 to sell them. There is no minimum commission, and the offer is available until February 23.

Details of the offer were sent out to LOF shareholders this week.

If you want to make use of the service you should fill in the sale request form and return it with the share certificates to Lloyds Bank, Registrar's Department, Goring-by-Sea, West Sussex BN12 6DA.

Sara Webb

Savings rate to fall

IF YOU invested in the 30th issue of the National Savings Certificates, you should be aware that the rate paid on them will decrease after February 13.

The 30th issue, which went on sale from February 13 1985, had a guaranteed return over five years of 8.85 per cent per annum tax-free.

When they mature on February 13, however, they will earn the general extension rate (which is variable) of 5.01 per cent per annum tax-free.

There is about £900m invested in the 30th issue. However, you would be well advised to move your money once the general extension rate applies and to find a more lucrative home for it.

If you are interested in putting it in one of the National Savings investments, the 34th issue of Savings Certificates offers a fixed guaranteed return of 7.5 per cent per annum tax-free over five years.

Alternatively, the Series A Capital Bonds pay 12 per cent gross per annum.

S.W.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	5.00	5.10	4.08	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999	0
High interest cheque	9.20	9.60	7.68	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.83	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-25,000	1 mth
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.86	8.14	6.52	monthly	1	2,500	0
Provincial Bank	11.05	8.29	6.63	monthly	1	1,000	0
UK GOVERNMENT STOCKS§							
8pc Treasury 1991	13.39	11.26	9.99	half yearly	4	-	0
8pc Treasury 1992	13.02	10.88	9.61	half yearly	4	-	0
10.25pc Exchequer 1995	11.82	9.15	7.55	half yearly	4	-	0
3pc Treasury 1990	12.33	11.55	11.10	half yearly	4	-	0
3pc Treasury 1992	10.93	10.09	9.38	half yearly	4	-	0
Index-linked 2pc1992§§	10.09	9.57	9.25	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000. ‡ Special facility for extra £10,000 §Source: Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

David Beech and **Christine Robinson** on the pros and cons of trusts

Protecting your assets

LEGAL TRUSTS were developed in the Middle Ages during the Crusades as a method of holding and protecting assets. But far from being old-fashioned, they are still used frequently – sometimes unknowingly.

For example, if you have a company death-in-service benefit then you will already have a trust. Here the proceeds of the life cover will be held in trust for your dependants.

A personal life insurance policy to provide a lump sum for dependants on your death would also benefit from being held in trust. On a £100,000 policy it might make the difference between the full sum and only £60,000 (net of inheritance tax) being available to dependants on your death.

But the most common use of trusts is as a shelter against the payment of death duties, or inheritance tax. For instance you might want to set aside a nest egg for your children or grandchildren. So if the £30,000 you put into investments held in a trust was worth £80,000 in ten years' time you would pay no tax on this on your death. However, if it had simply remained in your estate there could well be a liability to pay tax at 40 per cent, reducing the amount received by your heirs to £48,000.

You may think it is easier to make outright gifts to individuals, but for many people there is a natural concern that giving too much capital too early to young people can be harmful. So trusts can be used to delay the giving of the capital sum until a later, more suitable, time. Alternatively, you may want one individual (your wife) to benefit from income while the underlying capital is held for the benefit of someone else.

Trusts can be used to help you retain control of the capital and disbursement of the income, while at the same time being flexible when it comes to the beneficiaries and exploiting

the tax advantages.

But what is a trust? It is a legal entity set up by a trust deed which separates the control of wealth from the right to benefit from it. Property is transferred into the trust by the "settlor" (ie you), and it is held and administered by "trustees," generally two or more individuals, for specified beneficiaries.

The choice of trustees lies with you as the settlor when the trust is set up. You can be one of the trustees, together with your spouse, or a friend, or a professional adviser.

You can also stipulate the individuals or classes of beneficiary when you set up the trust. The rules under which the trustees operate and the entitlement to either income or capital or both for the beneficiaries will depend upon the terms you set out.

Providing the trust deed is drawn up correctly to give the trustees sufficient powers, they can hold any asset that an individual might own personally. Whole life insurance policies and shares in private family companies, cash, quoted shares, unit trusts and gilts are all suitable assets for trusts.

However, land and buildings attract legal and tax difficulties that need consideration and normally feature only in large trusts.

There are no hard and fast rules as to the minimum value which ought to go into a trust as it depends on the assets involved. Share capital of £1,000 in a new private company would be suitable because of the potential for future growth. By contrast £1,000 cash in a bank account would not be worth the costs of setting up a trust unless you intended to add more funds or assets later.

If you decide to use a trust, how would you go about setting one up? There are various legal and tax matters involved and you should seek professional advice. You need to identify the right type of trust, the assets to be gifted, and who are to be the beneficiaries and trustees.

You will also need to consider your tax position arising from the gift. The cost of this advice will depend upon the amount of time needed to discuss and review matters, but it is likely to be between £1,000 and £2,500. In addition the trust deed must be drawn up, and unless the type of trust you require is particularly complicated the cost of the deed itself is likely to be in the region of £250 to £500.

Finally you must transfer the assets into the names of the trustees. This will involve the opening of separate bank accounts. Where stocks and shares are to be transferred, Stock Transfer Forms are required. If land or buildings are involved then professional help will be needed in dealing with the conveyancing, and this will involve extra costs. As the settlor, you or your advisers must also advise the Inland Revenue that you have set up a trust and disposed of assets to it.

Once you have a trust in place the trustees will have responsibility for dealing with its administration, including the management of the trust investments, bank accounts and properties. The trustees will be required to complete an annual trust tax return reporting income and capital gains to the Inland Revenue. They will also be responsible for paying any tax liabilities. Depending upon their powers the trustees will have to decide whether to distribute income and/or capital to the beneficiaries. Trust accounts will be needed although not necessarily on an annual basis.

You may feel that you can administer the trust and deal with the Inland Revenue yourself as one of the trustees. But if professional advisers are involved in preparing annual accounts and dealing with the Revenue – and this is probably advisable if trust assets are worth say £50,000 or more – then you will need to take into account professional fees on an annual basis. Fees will depend upon the level of time spent on the trust's affairs but they will normally be at least £1,000 a year.

David Beech and Christine Robinson are capital tax specialists with chartered accountants Robson Rhodes.

Sara Webb reports on a new lease of life for an old idea

Friendlier view of the future

FRIENDLY societies, once a popular home for the savings of the Victorian working classes, may be given a new lease of life. In future they may be allowed to branch out into unit trusts, personal equity plans (PEPs) and other areas of the fiercely competitive retail market from which they were previously excluded.

In a Treasury green paper released this week, John Major, Chancellor of the Exchequer, said he hoped that proposals to change the legislation concerning friendly societies would provide them with a "firmer footing in the modern world and secure the future of the friendly societies into the next century."

Friendly societies have declined in popularity among savers in recent years as more attractive forms of tax-free savings became available. They date back originally to the Middle Ages but became widespread in the 18th and 19th centuries as a way of providing protection for the working classes against loss of income through sickness or unemployment, with provisions for retirement and for widows and orphans.

Today there are only 3m members saving with the friendly societies, compared with 8.7m in 1945. The number of societies has also fallen – from 2,740 in 1945 to 467 in 1988.

As Chancellor of the Exchequer, Nigel Lawson was partly responsible for their decline – he reduced the maximum tax-exempt monthly investment from £20 to £9 in 1984, which led to a sharp drop in the number of new policies taken out.

His successor seems to be taking a more benevolent view. In future, not only will the societies be allowed to manage unit trusts and PEPs, but they will be able offer all forms of long-term insurance, and arrange loans and mortgages. The Treasury has also promised to consider raising the threshold on tax-free investment, so there may be more good news in the 1990 Budget.

The societies, which have been anxiously lobbying for more freedom, are delighted with the proposed changes. Peter Madders, chairman of the Friendly Societies Liaison Committee, said he hoped the changes would be introduced as soon as practically possible "so that societies can be freed from the Victorian regime under which they still have to operate and be allowed to compete on an equal footing with others in the financial services sector." However, the earliest date at which the changes could be introduced is summer 1991.

The document states that the new range of services must be provided by a subsidiary, which means that the mutual friendly societies will have to incorporate if they wish to branch out. Those friendly societies operating as closed funds – and so not taking on new business – would not be able to do this.

In many cases, members will need to give their approval for incorporation. Existing members of a friendly society which chooses to incorporate will continue to be members on incorporation – the voting power will continue to be on the mutual principle of "one member one vote."

Nevertheless, the Treasury document sounds a note of warning: if a society wants to expand, it will have to use its reserves to fund the capital requirement of the subsidiary until it generates enough profits to plough back into the business. This might affect the society's ability to provide members with the expected benefits. So the Government proposes to restrict the amount which a friendly society can invest in a subsidiary.

The expansion in the retail financial sector will have to be accompanied by tighter regulation to safeguard members' funds. Friendly societies may have their own *ombudsman* to handle disputes in future and could eventually come under the supervision of the self-regulatory organisations Lautro and Imro.

The document also proposes that the solvency requirements that currently apply to large friendly societies should be widened to include all friendly societies conducting long-term business.

The proposals will be sent out for comment now. Friendly societies and members who want to express their views should send them to Alec Wilson, c/o FIMI Division, Room 58/1, HM Treasury, Parliament Street, London SW1P 3AG, by March 31.

How to choose a fund manager

WITH SO many unit trusts to choose from, how on earth does the small investor choose a fund manager?

Of course it is important to look at past performance and see which unit trusts or management groups consistently appear near the top of the performance tables.

Micropal has analysed the performance of the unit trust industry over the past 10 years, five years, and one-year period in an attempt to spot the best performing management groups.

They calculated which funds performed best in each sector, then ranked the management groups according to how many funds they had at the top end of the different performance tables.

The aim is to show which groups have a good stable of funds in a range of different sectors, rather than just one or two high fliers

Over 10 years, the top 10 fund management groups are as follows: Schroder Unit Trusts; Capability Trust Managers; NM Unit Trust Managers; Fidelity; GT Unit Managers; James Capel Unit Trust Managers; Pearl; Framlington; M&G; and TSB. The figures were taken from fund management groups with three or more funds at the start of the decade.

Schroder comes out top because of the performance of its UK Equity, Income, and Smaller Companies funds. Its UK Equity fund has gone up by 753 per cent in the last 10 years, ranking fourth out of the 55 funds in its sector and way ahead of the sector average increase of 574 per cent.

The Income fund rose by 749 per cent, compared with the sector average of 580 per cent, and ranked sixth out of 47 funds, while Schroder's Smaller Companies fund ranked eighth out of 59 funds, turning in a gain of 627 per cent compared with the sector average increase of 487 per cent.

In the past 10 years, the number of unit trusts has blossomed and many new players have joined the competition. Bank of Ireland, which was the top management group over one year, was not in the unit trust management business back in 1980. However, each of its five funds outperformed their sector averages in 1989, with the Investment Trusts fund taking first place out of 10 funds in the sector, turning in a 41 per cent increase during the year.

Bank of Ireland's Capital Growth fund came sixth out of 195 funds with an increase of 30 per cent in 1989, while its World Opportunities trust came 26th out of 152 trusts with an increase of 34 per cent.

The other groups in the top 10 over one year include a mix of established names and newcomers: Sovereign (set up in 1987), Bishopsgate, Perpetual, Morgan Grenfell, Equity & Law, Whittingdale, Royal London, and Refuge (set up in 1984).

Over five years, Bishopsgate ranks first, followed by Capability, Guinness Mahon, Touche Remnant, Equitable, Schroder, Royal London, Mercury, Crown, and Murray.

Bishopsgate's Progressive fund, an international growth fund, came first out of 75 funds with a 274.5 per cent increase over five years, while its International fund ranked fourth in the sector with a 216.3 per cent rise.

The average increase for the sector was 92.5 per cent.

Sara Webb

MINDING YOUR OWN BUSINESS

James Buxton meets a woman who set up her own consultancy and a man who turned his vacation plans into a full-time career

So you want to rent a castle?

ALASDAIR SCOTT was heading for a career as a solicitor when he realised that what he was really good at was organising holidays. He discovered it at university. Each vacation he took parties of friends to Scotland, from the south, to stay in rented cottages. As the parties became bigger, and the entertaining more ambitious, they graduated to castles.

He sought out the properties, booked them and devised the entertainment – from dinner parties to clay pigeon shooting. He found he had a happy knack of getting people to enjoy themselves; but he also learned that organising holidays that way was unnecessarily complicated.

"The agents weren't particularly helpful when I asked detailed questions," he says. "I got the impression they didn't actually know the properties, or what there was to do in the area."

After qualifying, Scott, 24, decided to make his holiday occupation his career, setting up a business offering holidays in castles and fortified houses. Unlike the agents he had dealt with, he says: "I wanted to provide a personal service. If a client asked a question I wanted to be able to answer it properly myself."

After research he wrote to the owners of 80 properties asking if they rented parts of their homes to visitors, or if they wanted to do so, either on a self-catering basis or as paying guests catered for by the owner. He offered to be their agent. He visited 50 and launched his business, Scotts Castle Holidays, with a brochure showing 14 castles, fortified houses and Victorian piles.

Some of the property owners already let out wings or flats, and for them he became another outlet. But seven of the castle owners decided to go into the letting business in a serious way for the first time.

The properties and the clients can be diverse. For example, Craighall Castle, near Blairgowrie in Perthshire, offers comfortable self-catering accommodation in two wings, each with several bedrooms including four-poster beds, each wing costing from £385 per week.

Kelly Castle near Arbroath in Angus has a self-catering flat on the third and fourth floors with two bedrooms from £300 a week. Manderston House, an Edwardian mansion in Berwickshire, is in the "catered" category: it has eight double bedrooms and owner Adrian Palmer presides as host. It costs upwards of £2,200 a night for groups of up to 16.

The clients for the different types of property vary. Self-catering castles are aimed at couples and families, but also those groups of friends, often in their 20s and 30s, who club together to take the wing of a castle and host their own house parties, living "like a laird." Even in the self-catering properties staff and catering can usually be arranged for special occasions.

The catered properties, a somewhat prosaic description for what is on offer at Manderston and elsewhere, are aimed mainly at the corporate entertaining market, making them ideal, according to Scott, either for incentive travel or corporate entertaining.

But, in both categories, Scott sets out to cater for individual needs. He can meet requests for activities, such as riding, fishing, or flying, or arrange for the haggis to be piped in at a Hogmanay dinner. All accommodation, although having a private house atmosphere, is to standards approved by the Scottish Tourist Board.

"The wealthy US customer goes into a travel agent, says 'book me a holiday' and walks out again. I can arrange whole programmes for them"

Having signed up the first batch of properties Scott marketed them in the UK through advertising in newspapers, magazines and tourist board publications, complemented by travel writers' articles about his service.

He takes the bookings, arranges for customers' special needs to be met, receives clients' payments and takes a commission ranging between 10 and 30 per cent, depending on the type of property and the amount of work involved.

In his first year, to May 1989, he turned over £20,000 in rental fees. Most of these are passed on to the property owner. He hopes to double that figure in the 1990-91 season as he takes on eight more properties. Following that he hopes to reach 30 properties and turnover £80,000.

With the owners of large houses becoming more commercially-minded, and personal disposable incomes rising, he foresees strong growth.

He has started to market them overseas and has taken part in tourism exhibitions in Canada and West Germany. He has also met US travel agents and talked in detail with Delta Airlines. He discovered that: "The wealthy US customer goes into a travel agent, says 'book me a holiday in Scotland' and walks out again. That suits my business. I can arrange whole programmes for them."

He launched the business in London before moving up to Scotland early last year, investing about £15,000 obtained from Barclays Bank which lent him £8,500 over seven years through its small firm loan guarantee scheme, under which the Department of Trade and Industry guarantees 70 per cent of the loan, with other funds coming from Lenta, the London Enterprise Agency, and from his family.

The biggest single investment was the brochure, costing £7,500.

Alasdair Scott does virtually all the work himself in an office near Edinburgh Castle with some help from his girlfriend. "I like the individual contacts. I enjoy making sure that everyone has as good a holiday as possible. And I get on well with the owners," he says.

Alasdair Scott: specialises in castles to rent

Helping to sell Scotland abroad

Fiona Thorp: deals to market traditional goods abroad

MANY SMALL businesses make products that could well be sold in export markets, but they lack the time and knowledge to promote them abroad. One of Fiona Thorp's aims is to help them.

She runs Edinburgh International, a consultancy she set up in 1988 after she had worked for several years as a legal expert negotiating contracts for companies in the oil industry, followed by an MBA at Manchester University.

So far the consultancy comprises herself and an assistant, although it has links to other consultancy firms.

Recently she approached several small companies making "traditional" Scottish products in the food industry and is now putting together deals to market them in the US.

The companies include: Highland Cuisine, which employs 16 people at Inverurie in Aberdeenshire, has annual turnover of about £500,000 and hopes to export its fudgy bars; Drysdale of Edinburgh, a tea and coffee merchant that employs 25 people and turns over about £750,000 a year; and Shortbread House, a Edinburgh business which employs seven people – only three of them full time – whose name speaks for itself.

Other companies produce chocolate and sweets, and all have a Scottish identity and a predominantly Scottish market.

"I want to take the risk out of exporting for these businesses and enable them to see it as an extension of their retail market," says Thorp, who is 32. That means Edinburgh International taking on a role like that of a trading house.

The idea is to export existing products that require only cosmetic changes for export markets, rather than to produce particularly for overseas markets.

She decided to aim at the US rather than Europe, because she believes Scottish products have more appeal there. She may try Canada and Australia later.

She used part of a British Airways trip to Atlanta, Georgia, adding a later trip to Dallas, to contact the buyers for Macy's and Nieman-Marcus, the top US department store chains, and Ritchies, which has similar prestige to Macy's in the south-eastern US.

She also called on two small gourmet shops and a broker who arranges food exhibitions.

The initial responses were good, and she came back to Scotland to arrange for the manufacturers to adapt their labelling and presentation and to decide prices. Samples have been despatched to central buying points, and Thorp plans to go back to the US in January to take orders.

Edinburgh International will buy the products, take the foreign exchange risk and sell them to the retail outlets in the US, expecting to make a turn on the deal.

The manufacturers have to prepare the products for shipment, but an Edinburgh freight forwarding company will handle both the transport and the paperwork.

Although Thorp has discussed financing with a bank, she hopes it will be possible to avoid bank funding and finance the deal on a back-to-back basis.

Under such an arrangement, the retail outlets would be allowed, say, 45 days for payment, while the manufacturers have to wait 60 days for this money. Her conservative estimate of first-year sales is £250,000.

Apart from Drysdale, which has a very small export connection with the US, none of the companies has exported before.

"It's exporting without tears," says Antony Laing, who recently bought Shortbread House. Helen White at Highland Cuisine, whose products have not so been sold outside Scotland, says she is delighted that Thorp has "done all the background work."

"I'm not interested in becoming an export administrator for other people," she says. "Eventually I'd like to establish a trading house that would both export and import."

Although she wants to help small companies export, however, she is wary of becoming involved with companies that are too small – one-man bands and those with very few employees.

"We are taking on the risk and so have to be satisfied that the supply side is going to perform on the contract," she says diplomatically.

FINANCE & THE FAMILY

More profit in your pension

SEVERAL Weekend FT Family & Finance readers have raised the question of tax treatment for state pensions under the new independent taxation regulations which take effect from April.

The change to separate income tax arrangements for married women includes an important alteration in the way in which state pensions will be treated – and offers an opportunity for substantial gains for many couples.

This opportunity will arise in cases where the wife does not receive a pension by virtue of her own contributions. In these instances, the husband can claim an additional married couple's pension for his wife, based on his own contributions, and currently worth about £1,360 a year.

Under the old rules, in which a married woman's income was simply added to her husband's for tax purposes, this sum could not be offset against the woman's earned income allowance. This was because the additional wife's pension was not regarded as earned, unlike a pension paid to a wife by virtue of her own contributions.

The new regulations treat the wife's additional pension as her own income, which can be set against her personal allowance, even though it is based on her husband's contributions.

Some readers have asked whether this new approach would allow an additional transfer of pension payments – for example, could a husband transfer parts of his own state pension to his wife in a

Terry Dodsworth on a potential gain from independent taxation

case where he had used up his personal allowance but she had not?

The answer is no. Although it is easy to transfer capital assets to take advantage of the switch to independent taxation, income cannot be passed over to a partner; and the basic pension is regarded as income.

■ *Details in Independent Taxation, IR83, paragraph 70. Issued by the Inland Revenue.*

Taxed by maintenance bill

I AM receiving maintenance payments from my ex-husband under a court order, and he has been deducting tax so that I have been getting the net amount.

From April this year the gross amount should have been paid to me, but the tax has been deducted as in previous years. I have now received an assessment from the Inland Revenue with the amount of tax due in January 1990. The deduction already made is in excess of this amount and so I believe that I am due a repayment by the Revenue.

I have no contact with my ex-husband and do not know his address. What action is necessary to adhere to the new ruling and are any forms needed?

■ You should give notice of appeal against the assessment (and apply to postpone payment of the appropriate amount of tax, pending settlement of the appeal), as explained in the notes on the assessment, on the grounds that your ex-husband has defaulted to the extent of a quarter of the current year's maintenance.

You will still have a tax liability (so far as we can tell from the bare facts outlined) because your husband has not deducted tax – he has merely paid you less than he owes you. You may need the help of a solicitor in compelling him to pay the arrears. However, as a first step, can you try writing to him in care of the bank from which the maintenance payments originate? Your own bank should be able to tell you the address of the bank which sends the credits each month.

Do not delay giving notice of appeal and application to postpone payment. If, in spite of your appeal and application to postpone, you get threatening demands from the Collector of Taxes for payment of the full amount of tax demanded on the assessment, write back straight away and send a copy of your letter to the inspector (keeping one for yourself, of course). The liaison between inspectors and collectors is notoriously poor, and the Board of Inland Revenue appears not to realise how much worry and distress this inefficiency can cause in cases such as yours.

Inheritance tax limits

SOME TIME ago, I read in the FT ways of reducing death duty. The article stated that one could leave £25,000 to one's children, free of any duty. One's wife could do the same and so reduce one's taxable estate by £50,000. It was later increased to £30,000 each. Is this still applicable? If not, what is the present limit?

■ What you refer to is still applicable. The tax in question is now termed inheritance tax, and the limit is £118,000. Thus a husband and wife can between them make gifts totalling £236,000 if each uses the maximum allowance separately. Gifts between husband and wife attract no tax.

Dividend problem

Just before the 1989 Budget, I transferred shares producing about £1,200 gross income to my wife with a view to her claiming repayment of tax credits within her personal (age) allowance after April 1990. The dividends are paid into our joint bank account.

I was surprised to read in your answer to the first query in the FT of November 11 that such dividends need to be paid into a personal bank account of my wife's, and that I should not derive any indirect benefit from the dividends. There is of course no difficulty in my wife opening a separate bank account, but it is difficult to see how I could fail to benefit indirectly from her dividend income on the basis that she *will be more self-supporting* and thus need a lesser financial contribution from me.

Could you kindly confirm that the two conditions you mention are based on Inland Revenue requirements.

■ It is a pity that you missed all our earlier warnings on this point. If you gave shares to your wife in the knowledge or expectation that the dividends would be credited to an account upon which you were free to draw, the dividends would be deemed to form part of your own income (after April 5 1990) in accordance with section 674A of the Income and Corporation Taxes Act 1988, which was inserted by section 109 of the Finance Act 1989.

The test is whether the dividends or sale proceeds "will or may become, in any circumstances whatsoever, payable to or applicable for the benefit of" yourself. The words in quotation marks are from section 685(4B) of the Taxes Act 1988, as amended by section 108 of the Finance Act 1989.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Query over trust income

I AM THE beneficiary of a family trust, the trustee and manager of which is a bank. Until last year the dividends to which I was entitled were paid into a current bank account, which was a joint account with my husband.

Last year my husband opened an Alliance and Leicester/Bank of Scotland Bank Save account to replace the current account. The bank managing the trust refused to pay the dividends into the new account or to send the dividends direct to me without charging £5.75 for every dividend paid. The reason given was that their computer could only cope with ordinary bank accounts. Was this justified?

■ You should obtain from the companies where shareholdings are held a form called "Request for Payment of Interest or Dividends" which should be completed and handed to any branch of the Alliance & Leicester Building Society. The building society will then complete the section regarding account details, stamp the form and return it to the company paying the dividend, which will then make payments directly into the account via the bank's automated clearing system.

You perhaps should take the matter up with the bank in question and indicate that it is possible to pay the dividends through the automated clearing system. It may be a policy of the bank to make a charge for these transfers, but we suggest that you speak with the manager of the bank.

Time limit on debt

I HAVE been told that I should lose a claim in the County Court if the debt is owing for more than three years, in spite of the fact that letters have been passing to the debtor's solicitor during the last four years. Is this correct?

■ No. The limitation period for a debt is six years, and you can recover if you commence proceedings within that period, starting from the date when the debt first became due.

Fairer shares for employees

MILLIONS OF investors made money by applying for water shares, but the "super profits" went to employees of the newly-privatised companies. Thanks to privileged treatment from the Government the waterworkers' gains should remain virtually untouched by the taxman. Employees of other companies joining the Stock Exchange may not always be so fortunate.

When a company first offers its shares to the public it will almost always make a special offer to its staff – indeed, the wish to use shares as employee incentives is often a spur to flotation.

The most popular form of flotation incentive is the "priority" offer, colloquially known as the "pink form" offer because of the colour conventionally used to distinguish employee application forms.

The holder of a pink form has to pay the same price as members of the public; the sole advantage is that if there are not enough shares to go round he or she will get a higher proportion of the shares he or she asked for. Nevertheless, a pink form can often be a very valuable piece of paper.

Take, Northumbrian Water – the most oversubscribed of the 10 new water companies – as an example. Non-Northumbrians were restricted to 100 shares each, and even locals got no more than 200. Lucky employees, however, received as many shares as they applied for up to a maximum of 5,000 – the same privileged treatment as for employees in the other nine flotations.

So a waterman in Newcastle who took full advantage of his pink form would have obtained an extra 4,800 shares. And at last month's 60p opening premium – since increased to 80p – *those extra shares would* have shown an instant gain of almost £3,000.

That gain is sheltered from income tax by a special exemption introduced in 1988. So water employees will be taxed no more severely than ordinary investors – they will be liable only to capital gains tax when they sell their holdings, and then only if an individual's annual gain exceeds the £5,000 annual exemption.

Although the 1988 exemption is wide enough to cover the water privatisations and other major flotations, it won't help employees in the majority of UK new issues. That is because the exemption is restricted to full-blown offers for sale, whereas most flotations these days are by the much cheaper route of a private placing. If employees are given priority rights in the placing, and the shares start trading at a premium to the issue price, that premium will be taxed as income in the employees' hands.

This is an especially inconvenient tax charge because the employee will have to pay it before he receives the profit which is being taxed – indeed, he will just have had a cash outflow in paying for the shares. It is hard to understand the rationale for inflicting this particular torture on the minnows while giving the "big boys" a clear run.

Other non-water company employees who have tucked away some shares when their employer went public may have further tax traumas in store. In certain cases an employee can be liable to income tax on benefits accruing from his shareholding after acquisition but before disposal.

The 1988 law only exempts the initial acquisition gain – it does not apply to any subsequent tax charges. This may well be because the parliamentary draftsman could not envisage any circumstances in which the beneficiaries of a priority offer would fall into one of the post-acquisition tax traps. If so, then the water company offers have exposed the draftsman's lack of imagination.

One of the circumstances in which an employee shareholder is taxed will be if he receives a "special benefit" as a result of his shareholding.

A benefit is "special" unless it is enjoyed by all the other non-employee shareholders as well. Employees who hold on to their water shares will be entitled to either a 10p discount off their second and third instalment payments, or alternatively a share bonus. This is, of course, a benefit available to all registered customers of each water authority and is not a special employee right.

Nevertheless, since some of the non-employee shareholders – those who are not customers

and those who buy their shares post-flotation – will not be eligible for this benefit, it is a "special benefit" within the terms of the income tax rules.

It would have been ludicrously unfair if a quirk in the legislation had forced water employees to pay tax on something which all other customer shareholders will receive tax-free. Recognising this, the Inland Revenue promised the water companies in advance of the flotation that it would not seek to tax their employees under this head.

Various other tax concessions were given to smooth the path to employee share ownership in the water industry. But this may be cold comfort for participants in private sector flotations who could encounter similar technical problems, yet lack the sympathetic approach which the Revenue can seemingly be relied upon to bring to a Government-sponsored issue.

In spite of all this Government-inspired favouritism, water workers will still have to pay income tax on one component of their share package. They were each guaranteed up to 1,000 shares at a 10 per cent discount to the 240p fully-paid price. This type of "discount" offer is caught by the income tax net. Thus an employee who has taken up his full allocation of cut-price shares will be taxed on £240 (24p per share on 1,000 shares).

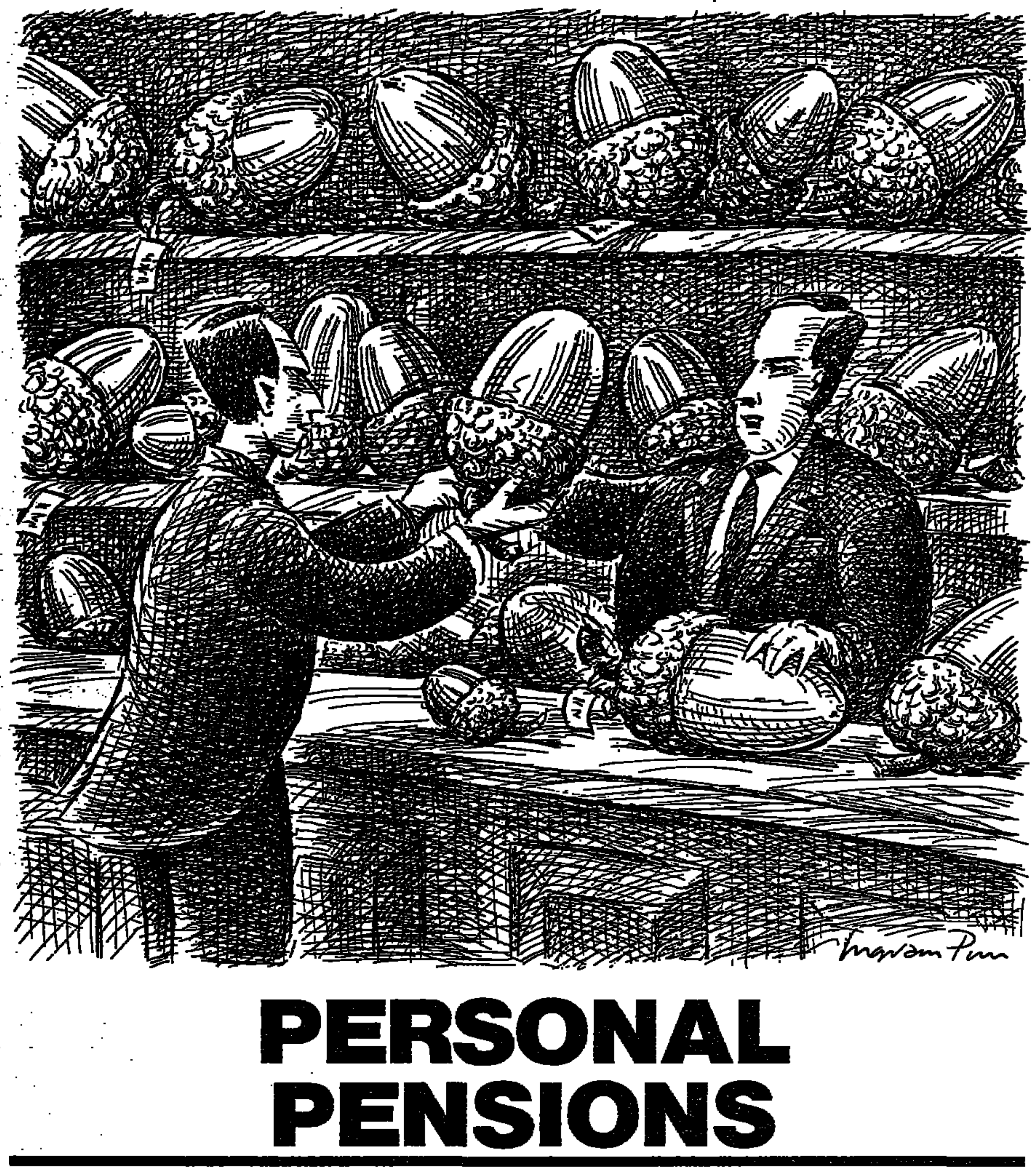
David Cohen

■ *David Cohen is a partner in City law firm Paisner & Co and author of the annual survey on employee participation in flotations.*

FINANCIAL TIMES SURVEY

Most contracts have been an alternative to Serps and have cost nothing. But pensions do cost money, says **Eric Short**. And the Government will be able to claim success for its changes only if employees can be persuaded to do more to provide for their old age.

You get what you pay for



PERSONAL PENSIONS

IN TERMS of sales, the introduction of the new-style personal pensions in July 1988 has been an unqualified success, and the saviour of many UK life companies.

About 3.5m personal pension contracts have been sold, most by life companies in the first few months of 1989.

This may look like a success story. It certainly exceeds the Government's expectations of the impact that its radical changes would have on the pensions environment. And it would appear that individuals are taking advantage of the opportunities to make their own pension provision, rather than rely on the state or their employer.

However, in this case appearances may be deceptive.

Most personal pension contracts have been used to contract out of the State Earnings-related Pension Scheme (Serps), the second tier of the state pension framework.

If this pattern is sustained, the present government, if it wished, could present a case at the next general election for phasing-out Serps, on the grounds that it was no longer needed because employees were rejecting it and making their own arrangements.

Such an argument would be superficial. Personal pension contracts that are used to contract out of Serps – known as "appropriate personal pensions" – were a salesman's dream. Employees who take out such contracts have their pay packets left intact – indeed, this is the only investment opportunity where the investor does not have dip into his pocket or his bank balance at the outset.

An employee who is in Serps is already paying full National Insurance contributions, which are deducted by his employer from his pay packet. When the employee takes out an appropriate personal pension, he still pays the full NI contribution, but the Department of Social Security passes on the rebate portion to the personal pension provider. So the standard argument of an individual against investment, that he "cannot afford it", does not apply.

Moreover an employee who takes out an appropriate personal pension also receives a tax credit at the basic rate on his part of the rebate NI contribution – a credit that is not given if he stays in Serps – thereby enhancing the amount invested in the personal pension contract.

Finally, an employee who takes out an appropriate personal pension contract is paid a 2 per cent incentive by the Government from the National Insurance Fund, further enhancing the amount invested. The full cost of this incentive – still referred to as a bribe by Labour party spokesmen – will be revealed shortly in the latest report by the Government Actuary on the financial state of the fund. Preliminary estimates put the cost at more than £1bn.

But this incentive has not yet achieved its long-term objective, of encouraging employees to make adequate provision for their old age. All it is has done is shift a large number of people from one pension arrangement to another. Indeed, in the long-term, this very success may have the opposite result of what was intended in the Government's reforms.

First, the fact that taking out an appropriate personal pension has no effect on an employee's pay packet has given the impression that pensions are cheap. Yet, once an employee attempts to make further pension provision, he finds that he has to dig into his pocket for contributions – and to dig deep if he is to ensure an adequate pension. Pensions are anything but cheap.

This leads on a second misconception. Because an employee has a pension contract, he feels all too often that everything will be all right in retirement, and that he does not need to make any other arrangements.

Life company salesmen, mindful of the requirements of the financial services regulations, have been careful to ensure that appropriate personal pensions are sold only to those employees who, under reasonable investment conditions, could expect the contract to provide better benefits than Serps.

But, so far, they have not fulfilled the "best advice" requirements of the financial services regulations by warning clients that simply contracting-out of Serps cannot be expected to provide an adequate pension – or, if they have, their warnings have not been heeded by their clients.

However, life companies are aware of this problem, and of the potential that it offers for the expansion of sales.

One pensions manager of a major life company set out the situation very clearly. Pensions, unlike mortgages, he said, tended not to be bought by people until retirement *started to loom on the horizon*: so they had to be sold. But, until now, intermediaries had had little idea of whom to sell pensions to. It had generally been a waste of time selling to employees who were already in a company pension scheme.

Now, thanks to last year's sales bonanza, life companies and life salesmen have a comprehensive sales list of employees whom they can approach to sell "ordinary personal pensions" on top of appropriate personal pensions.

Life companies have arranged the selling of appropriate personal pensions so that an employee automatically renews his contracting-out in the current financial year, unless he takes the necessary steps to end the contract. Hence there is far less need for life companies and salesmen to concentrate their efforts in the final few months of this financial year, repeating last year's message. Consequently, many life companies have indicated that their marketing efforts over the next few months will be devoted to persuading employees to do more than simply contract out of Serps.

The Government will be able to claim success for its changes only if life companies are successful in their marketing campaigns, this year and next, to persuade employees to do more to provide for their old age.

The most radical change made by the Government in the pensions framework was to give employees the right to leave their employer's scheme and to make their own arrangements through Serps or personal pensions.

There were fears that this would lead to widespread defections by employees, thereby putting a question-mark over the future viability of company pension schemes. So far this has not happened. Less than 1 per cent of employees have left their company scheme – though this has been due as much to many employers' not contributing towards employees' personal pensions (beyond the statutory contracting-out minimum) as to any extensive promotion of company schemes.

Employers have a choice. They may either put their employees into the company scheme, and let them exercise their option to leave; or they can have a truly voluntary scheme which employees apply to join.

Those who operate voluntary schemes find that many new employees are not joining, particularly if the employee's contribution rate is high. But *there are also signs that such* employees make little effort to make alternative pension arrangements, unless they are approached by a salesman.

Attacks on company schemes are still coming from without – from the Treasury and the Department of Social Security – rather than within.

The future of personal pensions looks bright over the next two years, up to the next general election. But clouds will gather if Labour wins.

The Labour party's pension plans are begining to become slightly less opaque, at least to the layman. Serps would be restored to its former glory under Labour; and a personal pension could be used to contract-out only if it would provide a benefit guarantee – the so-called Guaranteed Minimum Pension (GMP).

Life companies could not give such a guarantee on a money-purchase scheme without the Department of Trade and Industry's requiring them to set up substantial reserves. So if this proposal were put into practice, it would effectively spell the end of personal pensions as a means to contract out of Serps.

However, it is far from clear what would happen to existing appropriate personal pension contracts under Labour. Life companies hope that the realism which marks many other aspects of the party's policy would be reflected in its social security and pensions policy.

Yet Labour also intends to retain the voluntary-membership condition of company pension schemes. So, although life companies would no longer be able to sell appropriate personal pensions, there could well be an enlarged market for selling personal pensions on top of Serps. But it would not be the easy market that has been seen so far.

Personal pensions have widened individual choice — but they have also increased individual responsibility

How they work: **Janet Walford** explains the changing rules

Your taxman will contribute, too

IN THEORY, anyone up to the age of 75, who has an earned income that does not carry a pension, can contribute to their own personal pension.

In practice, there are many rules governing the amount that you can pay, and these must be followed if you are to enjoy all the tax benefits that go with personal pensions. But because the rules keep changing, you may find you need pots of black coffee and a calculator to work out how much you can pay.

The maximum amount that you can contribute to a personal pension scheme now depends on how old you are at the beginning of the tax year in which the contribution is paid. The contribution limits for the current tax year (ending 5 April 1990) onwards are shown in the table.

The limits are for "ordinary" personal pensions. An employee (though not the self-employed) can also use a personal pension to contract out of the State Earnings-related Pension Scheme (Serps). These are called "appropriate" personal pensions. The employee and the employer continue to pay full National Insurance contributions, as if they were contracted in to the state scheme.

The Department of Social Security will then refund to the employee's personal pension plan the difference between the contracted-in and contracted-out rates of National Insurance contributions. This is called the "minimum" contribution, and to it is added basic-rate tax relief in respect of the employee's share.

At present, the minimum contribution rebate amounts to 5.8 per cent of a "band" of the employee's earnings from

Contribution limits

Age at start of tax year	Maximum contribution as % of net relevant earnings
Up to 35	17.5
36 – 45	20.0
46 – 50	25.0
51 – 55	30.0
56 – 60	35.0
61 – 74	40.0

£2,236 to £16,900 a year. The addition of basic-rate tax relief brings the total rebate to 6.46 per cent pa. If the employee leaves Serps for the first time, he is also entitled to an additional 2 per cent "incentive" from the DSS, payable until April 1993, which brings the grand total to 8.46 per cent pa.

To put this into perspective, someone earning, say, £10,000 a year could have up to £656 in minimum contribution paid into his "appropriate" personal pension for the current tax year, at no additional outlay to himself. The contribution limits shown in the table can be paid in addition to these minimum contributions.

When an employee pays a contribution to an ordinary personal pension, he may deduct basic-rate tax at the outset and pay only the net amount. The pension provider then reclaims the tax from the Revenue and invests it on the employee's behalf. If the employee pays higher-rate tax on his earnings, he may claim higher-rate relief on the contributions from the Revenue separately.

The self-employed also benefit from basic and higher-rate tax relief on their contributions, but both have to be claimed separately from the Revenue.

Last year's Budget introduced a measure that limited contributions to personal pensions to earnings up to £60,000. This will be increased each year in line with the Retail Prices Index. This new limit applies to all personal pension contributions paid from this tax year onwards, regardless of when the plan was taken out.

There are also strict rules laid down about the benefits arising from ordinary and appropriate personal pensions. For example, with effect from plans taken out since July 27 1989, the tax-free cash lump sum which may be taken from a personal pension is limited to 25 per cent of the fund built up by contributions to an ordinary personal pension only. No part of the cash fund arising from the minimum contributions to an appropriate personal pension may be commuted for cash.

Benefits arising from the minimum contributions to an appropriate personal pension are called "protected rights", and are strictly regulated. For example, the pension must: commence at the state pension age or later; be on the same terms for men and women of the same age; and increase in line with the RPI up to a maximum of 3 per cent pa. On the individual's death, the pension must continue at half rate to a surviving spouse.

No such restrictions apply to the benefits arising from ordinary personal pensions. The individual is free to choose whether or not to provide for dependants, and how he or she wants the pension paid. There is also a wider range of ages at which benefits can be taken: between 50 and 75 for both sexes.

The individual has complete freedom to choose where contributions are invested, both for minimum and additional contributions.

The biggest share of the personal pensions market is commanded by the insurance companies. They offer a wide range of investment funds, from the safe with-profits plans where bonuses iron out the peaks and troughs, to the more risky investment-linked options that are also offered by new providers such as the unit trust groups.

With all these options, the investment decisions are made by the fund's professional managers. But since October 11 1989, individuals have been free to make their own investment selections if they wish. The investments selected must

The maximum amount that you can contribute now depends on how old you are at the beginning of the tax year in which the contribution is paid

still be held by the pension provider in the pension funds, but will be earmarked separately for the individual.

The type of investment permitted will include stocks and shares quoted on the UK and recognised overseas stock markets, securities traded on the Unlisted Securities Market, deposit accounts and commercial property. Investment in residential property or personal chattels is not allowed.

Although the facility to command your own investment funds may look inviting, it should be remembered that the individual will have to bear all the administration costs, which are likely to be heavy as they are not pooled across the fund. It is also unlikely that such do-it-yourself investment will be available for funds of less than £5,000. And, lacking the expertise of the professional, you may end up being worse off.

☐ *The author is editor of Money Management magazine*

PERFORMANCE

With-profits funds rival managed ones

PERSONAL pensions operate on the money-purchase principle. Contributions are paid into an tax-exempt fund, and the accumulated value at the time the benefits are taken is used to buy an annuity.

So the ultimate pension secured by a personal pension, per unit of contribution, depends on: the underlying fund performance over the period until the benefits are taken; and annuity rates at that time.

In order to ensure the best possible pension, it is therefore vitally important to ensure that the underlying investment provides a good return.

Investors in personal pensions have a wide choice of underlying funds for their contributions. These cover the whole investment spectrum, including cash funds, with-profits funds, and unit-linked funds. The last of these can invest in a wide range of equities (UK and overseas), property and fixed-interest, or a mixture of all three.

Investors and their advisers need to look at past investment performance as one of the factors to take into account when recommending not only a life company or other provider, but which fund or funds a personal pension contracts should be linked to.

Personal pensions in their present form have been available only since July 1988. But personal pensions, in the form of retirement annuity contracts, have been available for more than three decades in one form or another.

The changes introduced to personal pensions related to the contribution and benefit structure, but did not affect the underlying investment funds. So the funds used for retirement annuity contracts continued for the new-style personal pensions.

A comparison of investment performance on retirement annuity contracts is meaningful and valid in assessing investment aspects for personal pensions. It needs to be emphasised, however, that past investment performance is only one factor to be taking into account in making recommendations. It is no substitute for intermediaries having a complete understanding of the life companies or other providers, and certainly no firm guide to what could happen in the future.

For a performance exercise to be meaningful, a few basic rules should be followed:

- In comparing different investment funds, pay as much, if not more, attention to the median, or average performance as to the top and bottom funds.
- Attention should be paid to the size of funds at the top and bottom of the performance tables.
- Comparisons should be made over a period of time, to establish trends. An article of this length can provide only a snapshot of performance at one particular time. But the major independent advisory firms have a research department, one task of which is continually to monitor performance.
- In assessing the investment merits of a life company or unit trust group, one should consider the overall performance of all funds, as well as the those where the company may have particular expertise.

Accumulated fund to July 1 1989 (£)

	With profits	Managed fund	UK equities	Property	Deposit
Highest	34,443	33,984	44,686	31,394	20,089
Median	29,140	24,358	28,498	21,000	17,280
Lowest	23,725	19,012	20,095	16,082	15,679

Period to retirement 10 years
11 annual premiums of £1,000 each
Source: Money Management

The following analysis is taken from figures provided in the latest annual survey of personal pensions by Money Management* magazine (October 1989). These relate to the situation on last July 1 1989. The results are summarised in the accompanying table; but, even in this potted form, it shows some interesting features.

First, traditional with-profits contracts, often regarded as old-fashioned or even irrelevant these days, have shown a very commendable performance when compared with the unit-linked alternative, the managed fund.

If the table had been reassessed in September last year, when the UK equity market reached its peak for the calendar year, the gap might well have closed, because the managed fund values would have been higher, while the with-profits values would have been unchanged.

Get the intermediary to justify the type of fund recommended

As such, the indications from this table — and they *are* only indications — are that, over long periods, with-profits would have provided similar values to managed funds, with far less volatility.

This is of particular relevance to unit-linked contracts, where most investors opt for the managed fund. They might just as well go for the with-profits.

This leads on to the second point: that equity funds have done better than any other linked funds; while property, as a long-term investment, has lagged behind. Deposit funds are way behind everything else.

The figures reinforce the fact that deposit-based funds should be used only as a short-term haven for investment.

Today's top performer may not be top in 10 years' time

Another point of interest in the Money Management survey is the wide disparity between the various funds in a particular investment media. Even cash funds show some variation, though if one studies the figures closely, most of them are bunched around the median.

With-profits funds showed the least variation, but even this was large enough to highlight the importance of selecting the right life company.

However, one cannot guarantee that today's top performer will be top in 10 years' time. In this respect, an analysis of trends over long periods is useful.

The lesson for the investor taking out a personal pension through an independent adviser is to get the intermediary to justify the type of fund that is recommended, as well as the life company.

* *Copies available from the Marketing Department, Financial Times Business Information, Greystoke Place, Fetter Lane, London EC4A 1ND, Price £4.*

Eric Short

REGULATION

How to avoid faulty advice

A NOTORIOUS television commercial last year showed Manuel, Basil Fawlty's long-suffering Spanish waiter, seeking advice on personal pensions.

First, he consulted a seedy insurance broker who spouted incomprehensible jargon at him in a dingy office. Then he tried again, evidently with much more success, with a smiling glamour-girl in his local branch of the Halifax Building Society.

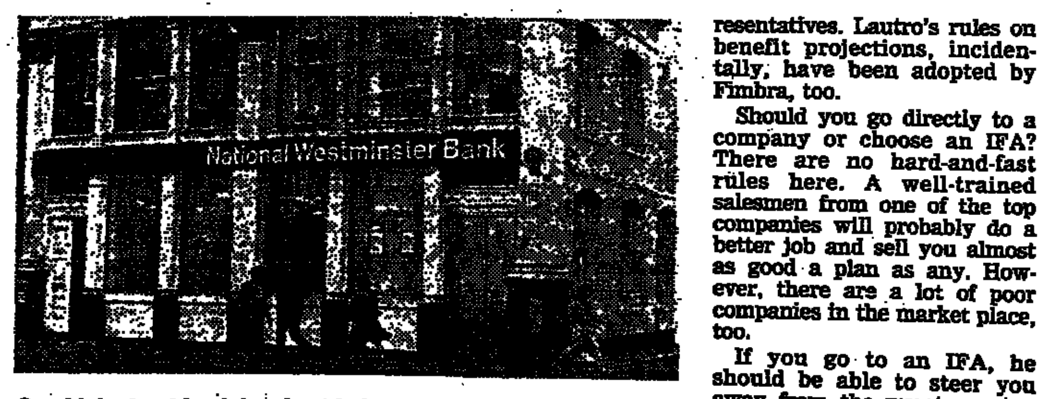
The ad became notorious, because independent financial advisers (IFAs) erupted in fury at their depiction as boring and incompetent. It was soon withdrawn.

Nevertheless, the commercial struck cunningly at the heart of the advice problem. Pension plans are a closed book to 99 per cent of the population. How can you be confident that your adviser is steering you in the right direction? Of course, the girl at the Halifax was pretty unbelievable too. Can you really expect a junior employee at your high street bank or building society to be a reliable source of guidance in such a complicated area?

You need, to start with, proper advice on the amount you should pay into the plan, which is limited by Inland Revenue percentage ceilings in relation to your income, and perhaps should be prudently set in relation to other commitments, such as mortgage instalments.

Then you will need to find a good company. This will have a sound investment record (although nobody can be entirely confident about investment performance in the future for what could well be a very long-term plan). Also, it will have competent administration — quite a few insurance companies are at present in a terrible tangle over personal pensions.

Finally, you will need after-sales service, especially if you do not employ an accountant on your tax affairs. You will want to know the level of premiums to pay out of your rising income in the future; and on retirement you will probably seek advice on how and when the benefits should be taken. For instance, you may wish to reinvest a lump sum, or provide a widow's pension.



One high-street bank has kept independent-adviser status

Thanks to investment regulation, the personal pensions market is less of a jungle than it used to be, but the rules may take some getting used to.

First, the regulators have divided or "polarised" intermediaries into two categories. Independent financial advisers, like the one who baffled Manuel, are required to give unbiased "best advice" about the products of all companies. In practice, they will give business to a handful of their favourite providers, but they are required to change the list if one of them fails to perform properly.

Other advisers, however, are employees or tied representatives of a single company. This also nowadays applies to most high street banks and building societies (the Halifax, for example, nowadays sells only Standard Life products). It is illegal for such reps or bank branches to sell the products of any other company.

The main high street exception is National Westminster Bank, which has chosen to retain independent status. So if you want to choose from among a range of insurance companies you must go to NatWest or, of course, to a small firm of independent advisers. Such a firm will probably display the logo of Fimbra, the self-regulatory organisation for independent intermediaries. But solicitors, accountants and insurance brokers may also be authorised by their professional bodies to sell personal pension plans.

All these intermediaries are governed by complicated regulations. At the first meeting, they must give you a piece of paper called a Buyer's Guide, which sets out whether they are independent or tied, and gives details of your rights (for instance, *to a cooling-off period* which allows you to have second thoughts about a plan).

Any projections must be based upon rigid formulae. This is to prevent deception over "telephone number" benefits extrapolated over several decades without making allowance for inflation or other hazards. For instance, under standardisation procedures, investment returns must be projected at 8½ and/or 13 per cent a year, and at no other levels.

IFAs must also provide details of their commissions on request, and in any event information of this nature will appear after a few weeks in documentation from the personal pensions provider (almost always an insurance company).

But salesmen and tied reps do not have to reveal their remuneration, something which independent advisers are naturally unhappy about. Such salesmen and reps (they may also describe themselves as consultants) are authorised by another body called Lautro. This regulates the marketing activities of life and unit trust companies, which are responsible for the conduct of their representatives. Lautro's rules on benefit projections, incidentally, have been adopted by Fimbra, too.

Should you go directly to a company or choose an IFA? There are no hard-and-fast rules here. A well-trained salesmen from one of the top companies will probably do a better job and sell you almost as good a plan as any. However, there are a lot of poor companies in the market place, too.

If you go to an IFA, he should be able to steer you away from the worst pension plan providers and, with luck, towards the best. Some of the top Scottish mutuals sell only through IFAs. But the professionalism of independent advisers is variable. They have a tough job trying to keep on top of an ever-widening range of products and regulations.

A problem with company sales forces is that staff turnover tends to be very high, which is worth bearing in mind for products such as pension plans which require after-sales service, such as the availability of advice on switches between specialist sub-funds. Moreover, if salesmen move to other companies, then under the polarisation rules it is actually illegal for them to service their old accounts. A well-established independent adviser could be a better bet in this respect.

Unfortunately, the level of quality control established under investor-protection rules, which are still less than two years old, is not yet satisfactory. The regulators have initially concentrated on weeding out the worst practitioners, especially the crooks, but are only now turning their attention to checking on levels of competence and standards of training.

Regardless of whether your adviser is an IFA or a company rep there is no real substitute for a personal recommendation from a satisfied client of your acquaintance. That way, you should avoid the Basil Fawltys of the pension plan sales business.

Barry Riley

MARKETING: **Eric Short** previews a period of tough competition, in which . . .

A second-tier contract will cost money

EARLY IN 1989, viewers of independent television saw a host of advertisements promoting the virtues of personal pensions.

If the life companies were unknown at the start, repetition ensured that viewers would associate their names with pensions by the end of March.

This was the spearhead of a major media campaign, where the 45-second message on TV was followed up with much more detailed information in newspapers and magazines.

The message was simple: if you were a man under 45 or a woman under 40, a marvellous investment opportunity awaited you if you came out of the State Earnings-related Pension Scheme (Serps) and took a personal pension.

The campaign was so successful in terms of the number of personal pensions sold – some 3.5m, of which 3m were used to contract out of Serps – that it is unnecessary for life company to repeat the TV ads on such a scale.

The life assurance industry estimates that, of the 10m people in Serps at the start of personal pensions, less than half would benefit by contracting out.

Life companies have designed their "appropriate personal pension" contracts so that an employee who contracted-out last year will be contracted-out again this year, unless he informs the company to the contrary. Another blanket campaign this year would be preaching to the converted. But they will still devote some marketing efforts at employees who are still in Serps, where it would be financially beneficial to contract out.

Life companies and intermediaries will both need to counter the Labour party's plan to run a campaign, primarily through the media, calling appropriate personal pensions a "rip-off" which, unlike Serps, do not provide any pension guarantees. But, since the average managed fund last year achieved a real return of around 20 per cent above earnings inflation, it should not be too difficult to counter this claim.

However, the marketing thrust from life companies and life salesmen this year will concentrate on the sale of "ordinary personal pensions", which are additional to appropriate personal pensions or Serps.

The providers will need to counter a Labour campaign, critical of appropriate personal pensions

Life companies and intermediaries now have a data-base of 3m employees who are not in a company scheme and are therefore potential customers for ordinary personal pensions. Such a data-base has never existed before.

With the housing market *still dull, life companies and* intermediaries need more pension business to sustain their overall new-business figures. However, intermediaries will find it more time-consuming to sell ordinary personal pensions, where the employee has to dip into his pocket, than to sell appropriate personal pensions.

"Sell" is the operative word, for pensions have to be sold. A person rarely takes steps to buy a pension until retirement is near, when it is often too late to ensure an adequate one.

This message is being learned the hard way by the new providers in the pension field.

An important change in the Government's radical restructuring of the pension environment was the ending of the life companies' monopoly in the sale of pensions to individuals. Banks, building societies and unit trust groups can now market the savings element of personal pensions. Yet so far these new providers have had little impact on the life companies.

Among the major clearing banks, Barclays, Lloyds and the Royal Bank of Scotland decided to offer personal pensions through their life company subsidiaries. National Westminster decided to market personal pensions only through its independent financial advice company.

Only Midland Bank chose to offer personal pensions through its unit trust subsidiary; and it has achieved considerable success. Some 80,000 contracts have been sold to date. About three quarters are wholly contracted-out, or include a contracted out element. Funds under management are now well in excess of £50m.

Midland has used its branch *network as a distribution out*let, serviced by a specialist consultant sales force. The group has underlined the message that the sale of pensions is about distribution rather than investment performance.

An important change in the Government's restructuring was the ending of the life companies' monopoly

Among the unit trust groups, most either have life company subsidiaries, or are subsidiaries of life companies and write personal pensions business through the life company.

NM Rothschild does not fall into this category, so it had to use its unit trust operation and its accompanying distribution network, primarily through independent financial advisers.

Its start in the sector has been slow and modest – 2,200 customers have paid £1.5m in annual premiums (of which £1m was for contracting-out of Serps) and £2.5m in single premiums. Total funds have reached £5m.

Gartmore deliberately went up-market with its personal pension, with a high minimum premium that excluded contracted-out-only business unless accompanied by a top-up personal pension. Funds are now approaching £1m.

Abbey National, now a bank, made a major effort to become a leading player in the personal pension field when it was still a building society. It ran a major advertising campaign to promote its deposit-based personal pension – a contract that Abbey National thought would be a winner, because of its simplicity of construction and ease and flexibility of payment. However, the response was disappointing: only 27,000 have been sold to date, with a further 3,000 non-deposit personal pensions from Friends Provident sold through the branches.

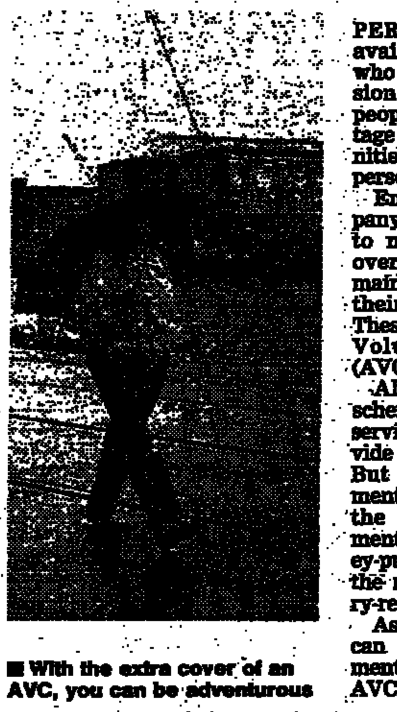
Only two buildings societies – Bradford & Bingley and Bristol & West – launched deposit-based personal pension contracts. But, unlike Abbey National, neither promoted them extensively. Both are still independent financial advisers, and promote the whole range of personal pension contracts.

Bradford & Bingley has concentrated on promoting its pension advisory service, PrimeTime. Employees would be recommended to chose a deposit based personal pension only when it was regarded as suitable – that is, for those few cases when he or she is very close to retirement.

During the coming decade, the personal pensions market is likely to be dominated by the life companies.

AVCs, the top tier of a pension, allow one . . .

Freedom to take a risk



■ With the extra cover of an AVC, you can be adventurous

PERSONAL pensions are available only to employees who are not in a company pension scheme. However, such people may still take advantage of the investment opportunities that are offered through personal pensions.

Employees who are in a company scheme have the facility to make extra contributions over and above any to the main scheme, in order to boost their benefits on retirement. These are known as Additional Voluntary Contributions (AVCs).

All occupational pension schemes, including the public service ones, now have to provide an in-house AVC facility. But invariably such arrangements are kept separate from the main pension arrangements and operate on a money-purchase basis, even though the main scheme is on a salary-related system of benefits.

As an alternative, employees can make their own arrangements through a free-standing AVC (FSAVC) from a life company or other pension provider. Indeed, they can chose a mixture of in-house and free-standing AVC arrangements if they wish.

AVCs enjoy similar tax relief to other pension arrangements. Contributions attract relief at the employee's top rate, and investment is made in funds that are free of tax. However, with all new AVC arrangements the accumulated cash sum must be used to buy a pension.

Thus, AVCs can be regarded as an employee's "personal pension", on top of the main company pension benefits. The similarities to personal pensions relate mainly to the underlying investments in which the AVC contributions can be placed.

AVCs are treated by the Inland Revenue as adjuncts to the main scheme. The Revenue's rules regarding employee contributions to a company pension arrangement are that these cannot exceed 15 per cent of an employee's earnings. This limit thus determines the maximum contributions that an employee can make to an AVC arrangement – that is, 15 per cent of earnings less the contributions made to the main company pension scheme.

If employees are using an in-house scheme, contributions are deducted from salary so that tax relief at the their top rate is applied automatically. However, with an FSAVC, employees pay contributions net of basic-rate tax, and the life company or other provider reclaims the tax from the Revenue. An employee must reclaim any higher-rate tax relief direct from the Revenue, using form PP120.

At retirement, when the employee takes his main company pension, he must also cash in his AVC. The proceeds of the AVC are aggregated with the main company pension benefits to check against overall Inland Revenue limits.

If there is overfunding, the employee is no longer penalised: the amount overfunded is returned to him, less tax at 35 per cent. There is also a higher tax rate liability. But overfunding should rarely occur. Generally, the combined benefits will be within Inland Revenue limits.

Under all AVC arrangements taken out since 1987, the benefit has to be taken as pension. Any lump-sum commutation must be drawn from the main company scheme – thereby reducing the main company *pension on which future* increases are based. This restriction will thus apply to all FSAVCs

Employees with in-house AVCs taken out before the deadline can still take their cash from the AVC and leave their company pension untouched.

An employee who wishes to make additional voluntary contributions should take account of a number of factors in deciding between an in-house arrangement and an FSAVC from a life company or other provider.

□

First, he needs to consider what sort of investment return he is looking for, and what level of investment risk he is prepared to take. The range of investments available is wide, and includes safe building society deposits or other cash funds, the relative safety of with-profit funds from traditional life companies, and the various equity funds (UK and overseas) offered by life companies.

Most people would like the *highest possible return for the* lowest possible risk, but in the real investment world, if they want a low-risk investment they must accept lower returns.

AVCs represent the top tier of an employee's pension, so he can afford to be adventurous in his investment, knowing that his main pension is secure. He can look at the prospects offered by equity-based investments.

People who dislike risk may find building society deposits, especially at current gross rates, more attractive. A useful compromise is a with-profits fund, which has a slightly higher risk but a much higher reward; or a managed fund with an even higher reward but some additional risk.

The next factor to consider is the charges that will have to be met. The in-house scheme will carry lower charges than a free-standing one. Indeed, some major consultants, like the leading firm of consulting actuaries Bacon & Woodrow, have negotiated deals for their client companies whereby commission on the in-house AVC is rebated in the form of higher benefits, and the cost of organising and maintaining the AVC borne by the employer in fees to the consultant.

A further advantage of an in-house scheme is that the payment of contributions, and *the receipt of tax relief is has*sle-free, especially for the higher-rate taxpayer.

However, many in-house AVC schemes have a restricted investment choice. Some still offer only a building society investment or a straight with-profits fund, because these are what the majority of employees want. In such cases, an employee who wants a higher return has no choice but to take a free-standing AVC with a life company and pay the higher charges.

Some, more forward-looking, company pension scheme administrators, in the face of competition from FSAVCs, have improved their in-house scheme to offer a three-tier choice, with switching facilities between funds.

□

The competition will grow this year, because several life companies have indicated that they plan a major marketing push for FSAVCs.

The free-standing version already offers one advantage: it is portable if an employee changes jobs.

The choice will depend on individual preference – and, if he wishes, an employee can split his contributions between an in-house and a variety of free-standing AVCs, provided the aggregate contributions are within the overall limit.

Eric Short

EXECUTIVES: **John Edwards** on what to do if . . .

The boss hits the ceiling

THE FORMER chancellor's introduction, in the last Budget, of a £60,000 "ceiling" on earnings for pension purposes is a blow to companies with special packages to reward, and attract, top executives.

It has also caused a hiatus at the top end of the recruitment market, where executives are reluctant to change jobs because it would mean giving up valuable pension packages that cannot be matched under the new restrictions.

Companies are having to devise fresh ways to woo, and reward, new executives.

On the pension front, there is the choice between a company scheme or a personal pension. In theory, there is more scope with a personal pension, because the £60,000 restriction applies to the contributions and there are no limits on the benefits that can be earned.

By contrast, in a company pension scheme it is the benefits that are restricted to two thirds of "ceiling" on earnings, which on present figures means that the maximum pension available is £40,000 a year – quite a drop for an executive earning £100,000.

The lump sum under a company scheme is also restricted to a maximum – at present, £90,000. With a personal pension, the lump sum (25 per cent of the total earned) could be considerably larger, and so could the pension. Personal pensions are also "portable", so that if you change jobs the accumulated fund goes with you.

However, the benefits derived from a personal pension as a money-purchase scheme, even if the employer contributes too, depend largely on the expertise of the fund manager and the performance of the stockmarkets. The number of yearly contributions is also important. So the age of the executive may well determine whether it is better to go for a personal or a company pension.

It is easier, and less costly, to build additional perks into a company scheme. Barclay Lamont, of London intermediaries I.P.S.Lamont, points out that companies are entitled to provide additional pension benefits beyond those approved by the Inland Revenue. But the cost of providing them can be high, mainly because such unofficial schemes do not enjoy tax exemption on investment profits and income as the fund accumulates.

A further worry is that, if the company running an unapproved scheme goes bust, the funds accumulated form part of the assets, so that the employee could lose his extra pension. Meanwhile, the employee is liable to pay tax on a benefit in kind that he may never receive.

Unfunded schemes, where the company promises to pay agreed amounts to executives only after retirement, are of dubious value, because they are worth nothing if the employee decides to move.

Mr Lamont suggests a number of other ways in which *companies can compensate top* executives for the potential shortfall in their pension compared with current salary.

Share-option schemes are one possibility. Profits made are liable to capital gains tax, but a certain amount of relief can be obtained if the exercising of the options is staggered over a period of years, to take advantage of the annual exemption, plus the indexation allowance.

Profit-sharing plans, under the 1978 Finance Act, allow companies to set up a trust which receives funds from the pre-tax profits that are subsequently allocated to employees on the basis of an agreed formula. If the shares are left in the trust for five years or more, the employee is liable to pay tax only on profits made over and above the acquisition cost and does not have to pay tax on the cost of the shares.

Esops (employee share ownership plans), where the company buys its own shares, or creates new equity to put into a trust, can also be used to benefit employees through share option or incentive schemes.

However, share-option schemes depend on the company's share price increasing in value – by no means guaranteed, especially during a lean time on the stockmarkets.

Subsidised mortgages are another way to reward an executive. Assuming that the executive has no existing mortgage, the first £30,000 lent at a reduced (or nil) rate is not taxed as a benefit in kind. The interest rate differential on the remaining amount is taxable; but there is a saving on National Insurance contributions.

Keyman insurance can also be used to benefit the executive. It may be provided, for instance, by with-profits assurance policies and maximum-investment plans. The death benefit is payable to the company; the executive can then buy the policy after a few years when its surrender value is still low, and continue the premiums until such time as it is worth cashing in.

Additional income, even if it is taxed at a high rate, can be used to invest in personal equity plans

Companies can offer other incentives, such as a season-ticket loan, free car-parking and small interest-free loans, without triggering extra tax liability.

For executives themselves who want to boost their income after retirement, the payment of additional income, even if taxed at a high rate, can be used to invest in either personal equity plans (PEPs) or qualifying maximum-invest*ment policies.*

PEPs are more flexible, because they provide tax-free capital or income that can be drawn at any time, though the amount that can be invested is limited. Alternatively, there is no limit on the amount that can be put into a maximum-investment policy, but it has to be held for at least seven and a half years before tax-free benefits can be withdrawn.

These is no real substitute for the tax benefits provided by pension schemes, when executives are at the height of their earning power. But actuarial consultants and financial planners are hard at work, devising ingenious schemes to replace the executives' attractive pen*sions package that was dealt a* blow by the former chancellor.

Back to the future in a Carrera 4

***Stuart Marshall** drives a new Porsche that has its roots in the vintage years of sports car design*

THE Porsche Carrera 4 is an odd mixture of state-of-the-art technology and a distinctive but outdated body. Though pretty much all new, it actually looks little different from a 911 of 25 years ago.

Its horizontally opposed engine (of 3.6 litres capacity, producing 250 horsepower) makes the sort of whirring howl unique to an air-cooled Porsche. The driving seat fits like a favourite old suit but the interior is cramped. Two small and stoical children might put up with the back seat. No normal-sized adult would.

Porsche must know all about ergonomics but you wouldn't think so from the Carrera 4. Its instruments and minor controls are dotted all over the place. With right hand steering, there is so little room for one's left foot that it has to go under the clutch pedal.

The build quality is superb – as it should be in a car costing more than £50,500. The price includes a three-way exhaust catalyser, ABS brakes, powered windows, steering, door mirrors and seat height adjustment, a decent stereo radio/tape player, central locking and a near-essential burglar alarm.(Porsches, the police will tell you, are often stolen to order and spirited out of the country before the owners even know they have gone).

Things like air conditioning, metallic paint, leather trim, a steel sunroof and on-board computer are extras. Adding them, plus a set of special disc design forged alloy wheels with an anti-theft device, pushes the total up to £56,348.

At that sort of price for a small, two-seat (well, 2+2 but only just) sports coupe with minimal luggage room, a conventional value-for-money judgment cannot be made. In any case, part of a Porsche's appeal is its high cost, which makes a personal statement about the owner.

The Carrera 4 is the most potent non-turbocharged Porsche ever sold. It is said to leap from a standstill to 100 kmh (62.5 mph) in less than six seconds and to attain 161 mph/259 kmh should you be lucky enough to find a traffic-free stretch of autobahn.

But let us get back to the real world. A driver of moderate skill will find the Carrera 4 flatteringly easy to handle on slippery surfaces because it has a four-wheel drive system with eight years of development behind it.

Tail-heavy, rear-engined cars like traditional Porsche 911s always have had ample traction but the weight distribution made them unforgiving if driven by the heavy-handed (or footed) in the wet. I have broken tyre grip and spun out of control in various air-cooled Porsches in the privacy and safety of water-sprayed handling circuits, which are the only places where such goings-on are acceptable.

While I am not saying it would be impossible to overdo it and slide in a Carrera 4, I reckon one would have to work very hard at it. It rained for much of the time I had a Carrera 4 on test last week, and in a normal 911 I would have been watching for wheelspin and tail-happiness when accelerating hard out of slippery corners in second gear. But the Carrera 4, even when provoked, did not unstick its fat, Japanese-made Bridgestone tyres. It was far better balanced and more easily controllable than any rear-engined Porsche I had driven before.

On windblown motorways streaming with surface water it ran arrow-straight. It took the curving slip roads – may I be forgiven the cliché – as though on rails, and all at speeds one would normally use only in dry weather.

Air-cooled, rear-engined Porsches always have felt to me more like living things than mere machines. The Carrera 4, for all its dynamic all-wheel drive control system, is no exception, though it will not have you metaphorically on the ground if you get it wrong.

The engine yowls joyfully when accelerating but at 3,000 rpm (80 mph/130 kmh) in fifth its subdued hum is drowned by the excessive road rumble reaching the interior via the suspension. The clutch is heavy and, despite the power steering, parking is not exactly effortless. Passengers probably notice more than the driver that on anything but smooth roads the ride is firm to the point of harshness.

Even if money were no object, I wouldn't want a Carrera 4 as my one and only car. But for a long solo journey on challenging roads in bad weather it would come near the top of my list.

The Porsche 911 Carrera 4's cherished number plate says it all. An old-style body cloaks state of the art four-wheel drive technology

Diesel: good value at any price

ALTHOUGH IT bears 14p per gallon less excise duty, pump prices for diesel fuel in the UK earlier this month were higher than those of leaded premium petrol. Last summer, diesel was on sale at anything from 15p to 20p a gallon less than premium and 5p to 10p less than unleaded petrol. Then prices started to rise until the excise duty advantage was wiped out.

Many diesel car owners, angry and suspecting an oil industry rip-off, have wanted to know why. "It seems as though the oil companies have made a concerted effort to make money out of diesel drivers," wrote Barbara Murphy, a Citroen BX19RD owner, from Newcastle-under-Lyme. "While I appreciate that there are market forces to consider, why is it that in France diesel still retains its one-third price discount compared with petrol?" asked Julian Humphrey, of Wingrave, Bucks.

The oil companies, I am bound to say, always seem quicker to put up the retail price of diesel than petrol. But they say it is all due to a rise in the cost of crude (it hit a four-year high recently) and a huge demand for heating oil from the US in late 1989. While we were having our little bit of winter just before Christmas, it was seriously cold in the US. There was a sudden rush to buy gas oil (the base product for both light heating oil and diesel fuel) and the spot market price shot up.

More recently, the spot price of gas oil has dropped and the pump price of diesel with it. The oil companies say diesel will continue to become cheaper, although they are not making any promises that it will soon cost 15p to 20p per gallon less than leaded premium. But if gas oil price futures are anything to go by, it might. Those for the late spring and early summer months are the same, or slightly lower, than they were last year.

In Britain, the oil companies are keener to compete with one another on retail petrol rather than retail diesel prices because the volume sold is so much greater. In France, 30 per cent of all new cars registered are diesels. In the UK it has only just reached 6 per cent.

By looking around, though, one can find sites where diesel is heavily discounted. I saw one in Surrey a week ago, selling diesel at 174p a gallon when the norm was 191p.

Even if diesel is dearer than petrol, the fuel cost per mile of a diesel car is still substantially less than that of a comparable petrol car. This reflects the diesel engine's greater efficiency, particularly in stop-start traffic driving and on long journeys at moderate speeds. When the pump price of diesel fuel is lower than petrol, that is a bonus.

However, concentrating on relative fuel prices begs a far larger and more important question; the protection of the environment. Ill-maintained buses and overloaded lorries belching fumes might suggest otherwise, but a car diesel engine is inherently cleaner and more environmentally friendly than a petrol engine even with a catalytic converter. Its toxic emissions compare well with a petrol engine's and it pumps out far less carbon dioxide. Though non-poisonous, this is held to be a main cause of the so-called greenhouse effect.

The cleanest engine so far available in any production car is the latest Volkswagen Umwelt (German for environmental) 1.6 litre diesel. It will be available in the UK this month in the Golf and Jetta at £9,432 and I shall be trying it soon. This 60 horsepower engine, turbocharged to make it burn fuel even more effectively, goes well beyond any exhaust emission legislation now in force worldwide. Its exhaust gases go through a simple oxidation unit to remove the diesel smell.

S.M

Conserving the humble spud

CONSERVATIONISTS of vegetables have a harder task than those who seek to retain flowers and fruits which have ceased to be commercially viable. The problem they face is that many vegetables must be renewed annually from seed, and that this may necessitate the cultivation of each parent stock in complete isolation from any other variety of the same kind of vegetable.

This difficulty also applies to ornamental plants that are annuals or are grown as such. There is even the probability that, without cross-fertilisation taking place, there may be a natural drift due to the slight variability of all seedling plants. Years ago, seedsmen made use of this by selecting and re-selecting for some particular variation until, over a few generations, they considered they had created a stock sufficiently distinct from the old one to get a new name.

Clearly this was a practice open to abuse, and when it became legal for plant breeders to register their introductions and charge royalties on their sale, the whole thing had to be put on a clearer basis. Lists of genuinely distinct varieties were prepared and, under an Act of Parliament of 1973, it became illegal to sell in Britain any vegetable variety that was not on the UK National List or the corresponding Common Catalogue drawn up by the EEC. At this stage many names disappeared from seed catalogues. Inevitably there were complaints, as some gardeners thought some of the vanished varieties were sufficiently different to retain.

A more serious problem arose for potato growers. While grown from what are rather confusingly called "seed potatoes," these have nothing to do with genuine seeds but are simply potato tubers set aside for replanting. It is a purely vegetative means of increase and unlikely to suffer genetic drift. However, it is sensitive to acquired pests and diseases.

The cultivation of "seed potatoes" has for long been subject to government control which, for some varieties, can make it illegal to grow them at all. I doubt that anyone, least of all conservationists, would wish to alter these arrangements greatly, because of the disastrous results some of these pests and diseases can cause – not only to crops but also to people and domestic animals.

Lately the story has become more complex. For many plants, including potatoes, breeders can now charge a royalty on their new varieties. However, to do so they must prove that they really are distinct. To establish this each variety must undergo a two-year trial during which it can be compared with other varieties. A fee of a little over £3,000 must be paid to the testing and licensing body, followed by an annual fee of £375 for its maintenance. It is not a great amount but is an added inducement for commercial growers to drop varieties for which there is little demand.

The value of plants to conservationists seems to increase with their age, and it can be quite difficult to establish the credentials of a plant that has not been seen for a number of years. There are plenty of old ornamental plants with names almost certainly not their own – for example there are numerous dahlias masquerading as Bishop of Llandaff and potentillas claiming to be Miss Willmott – perhaps it adds to the fun of the game.

If a potato conservationist wishes to re-register an old variety, it is essential to prove that it is distinct from any variety already on the register. This is subtly different from proving that it is the variety that once bore that old name and can be very difficult. It may be necessary to go through the two-year testing process with all its costs.

These problems are explained clearly, with more fascinating information about the history and development of the potato, in a new handbook by Lawrence D Hills called *The Good Potato Guide**. It includes the names of 88 purchasable potato varieties and gives the addresses of suppliers.

All the varieties are well described – blemishes and virtues – and the list is right up to date. The oldest British variety I can see is Pink Fir Apple, which was introduced in 1880 and is still probably the best salad potato. The French, however, seem to prefer Ratte, which they have been growing since 1872. It was registered in Britain 100 years later. The variety that intrigues me most is British Queen, which is described as "resistant to slugs."

■ **The Good Potato Guide* is published by the Henry Doubleday Research Association, Ryton-on-Dunsmore, Coventry, price £2.15 including postage.

Arthur Hellyer

Chess

THE traditional series of Hastings new year tournaments has been staged annually for 70 years now, so it was a real achievement in 1989-90 to organise the strongest event in the history of the series. The Foreign & Colonial Premier, sponsored once again by the City investment managers, was category 14 on the Fide world scale, with an average rating of 2589, equal to a British grade of 259.

Essentially the struggle was between three home grandmasters – world semi-finalist Speelman, chess olympic silver medallist Chandler, and 18-year-old British champion Adams – against five seasoned visitors led by world semi-finalist Yusupov.

The foreign GMs eventually had the better of the argument, but scores were close and in the later rounds the British brought off some zestful attacks. Sergey Dolmatov, the overall winner, was the only unbeaten player but his approach was too cautious for his victory to be ranked among the memorable Hastings achievements.

Final totals were Dolmatov (USSR) 8½ out of 14, Nikolic (Yugoslavia) and Spraggett (Canada) 7½, Speelman (England) 7, Chandler (England), Gulko (US) and Yusupov (USSR) 6½, Adams (England) 6.

Though narrowly beaten by Jan Timman of Holland in his Pilkington Glass world semi-final, Jonathan Speelman has become established as one of the most dynamic attacking players on the international circuit when in his best form. Playing the former USSR champion and now highest rated American Boris Gulko, Speelman let loose a classical pawn storm against his opponent's castled king, breaking through with a crescendo of sacrifices. His basic concept is easy to understand and, since opposite side castling occurs frequently in practical chess, this week's game is a model for club and league players.

White: J. Speelman (England).

Black: B. Gulko (US).

Sicilian Defence (Foreign & Colonial Hastings 1989-90).

1 e4 c5 2 Nf3 Nc6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 d6 6 Bg5.

It is partly a matter of taste here whether to prefer the off-beat 6 Be3 or 6 f4, Bobby Fischer's 6 Bc4, or the solid 6 Be2 when Black can choose between the Dragon variation 6 ... g6 or the Boleslavsky 6 ... e5. However, 6 Bg5, the Richter Attack named after a pre-war German master, is the choice of most contemporary grandmasters.

6 ... Qb6.

Black's unusual reply (e6 is normal) offers to gambit his pawn structure (7 Bxf6 gxf6) in return for the bishop pair, but Speelman's innovatory counter gains time by chasing the prematurely developed queen.

7 Nb3 e6 8 Bf4!

Subtler than 8 Be3 at once, since Black's knight is brought into the firing line of White's pawns.

8 ... Ne5 9 Be3 Qc7 10 f4 Nc6 11 g4 d5 12 e5 Nd7 13 Nb5 Qd8? 14 h4 f6.

The thematic central push against a flank pawn attack, but Speelman now launches a sustained assault. Black should have tried 13 ... Qb8 to make an immediate double capture on d6.

15 Nd6+ Bxd6 16 exd6 Nb6 17 g5 O-O 18 Qd2 Na4 19 O-O-O a6 20 g6!

The classical method for opening lines. If 20 ... hxg6 21 h5 or 20 ... h6 21 f5! White undermines Black's centre and threatens Bxh6.

20 ... Qxd6 21 gxh7+ Kh8.

If 21 ... Kxh7 22 Bd3+ and 23 Rdg1 Speelman's attack gains decisive momentum.

22 h5 Bd7 23 Bd3 d4 24 h6! gxh6.

If 24 ... dxe3 25 hxg7+ Kxg7 26 Qg2+ Kh8 (if Kf7 both 26 Bg6+ and 26 Qg6+ should win) 27 Rdg1 Qe7 28 Qg8+! and mates.

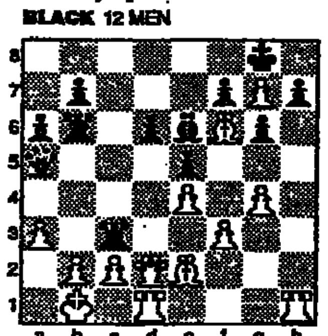
25 Qg2 Nb4 26 Rdg1 Nxd3+ 27 Kb1! Resigns.

For Qe7 28 Rxh6 again makes Qg8+ a decisive threat.

PROBLEM No. 806

M. Farre (Spain) v. G. Gudmundsson (Iceland), Munich chess olympics 1958.

BLACK 12 MEN



WHITE 13 MEN

When both players are committed to all-out attack, tactics are paramount. Here Black has sacrificed a bishop but is poised to checkmate by 1 ... Rxb2+ 2 Kxb2 Qxa3+ 3 Kb1 Qa2+ (Ba2+ also mates) 4 Kc1 Qa1. However, it is White's move Does he have a resource?

Solution Page XXIII

Leonard Barden

Let it all hang down

***Robin Lane Fox** on the joys of archway flowers*

PERHAPS IT is the mild weather, but I have been gardening with an image stuck in my mind. It probably derives from a photograph, and it will not go away until I have tried it. It is one of those long garden arches, hung with heavy swags of flower – dangling above my head like jungle orchids – and exuding a warm, summer scent.

It is obvious why I have arches on the brain. One problem with my garden is that it is flat and likely to remain so until its new backbone of trees and hedges matures in 1997. An arch or two would give it height, break up the sunshine, cast patterns of light and shade and lend a false air of maturity.

No wonder that arches emerged as a strong new market for gardeners in the 1980s. They went up the social tree with the speed of a Kistsgate rose. Many good nurseries have begun to stock them in short runs that you can match to your preferred length. You can order them (by credit card) in iron, or tubular black plastic, from Agriframe, in Sussex, with a ball-joint system that a capable person can assemble in about two hours.

My obsession is the child of its times. It is a long arch, more of a tunnel than a small bower. It would help if I had a clearer vision of the plants growing on it. In my mind's eye, they have every virtue – scent, a dark curtain of greenery, hanging flowers of electric blue and obedient branches which hug the archway's contours.

No such plant exists. For the longer arch, the choice lies between greenery, wistaria and laburnums, although, the Sloane-Wallys have been trying lilacs, against the trend. They have been failures. They grew up and away from the roof of the arch so that their plumes of flower are not visible through the ceiling in early June.

Whatever you choose for a long arch or tunnel, be sure that it will dangle. Dangling is the quality which makes us all choose laburnum – long laburnum arches are not famous for [illegible] the oldest and most famous [illegible] in Bodnant Garden, in North Wales. Many have copied it, although they have not always allowed the same considerable width of tunnel to show the trees to the best advantage.

The best dangler is Laburnum X Vossii, and arch-planters should settle for nothing else – its strings of flower are longer, they appear more freely and I find them scented. Other laburnums are sparse and much less opulent. A Vossii, at intervals of five feet, will make a rapid arch.

Why bother with anything else? One reason is the magic of a good wistaria. Perhaps my dream tunnel is really clothed in these supreme danglers, growing in some deep blue shade soon to be imported from Japan. Meanwhile, we can all experiment with the best varieties.

The Chinese Sinensis has much shorter bunches of flower and is less good than the floribunda forms, whose flowers range from lengths of a foot to two and a half feet. The longest is the lovely floribunda macrobotrys, which wise Edwardians planted on pergolas. Its flowers hang down for at least two feet and open gradually from top to tip. In full flower on a wide-spaced pergola, I have seen it brush your face as you walked into it – it needs extra height to walk beneath. It is better, perhaps, in a short, mysterious tunnel when its long flowers mask the sides and entrance. For longer runs, try one of the named varieties, preferably a white (alba or "Snow Showers"). They are not cheap (up to £20) but flower more freely flowering than the Chinese white form.

The bother with wistarias is the pruning. They flower best when their side shoots are controlled tightly – on top of the tunnel, pruning becomes awkward and long growths wave freely out of control. They need to be cut hard in summer and winter, but even then they will not dangle as freely into their own shade as a laburnum. They also end up very large, so are better on a pergola than on the lower types of arch that nurseries offer as single specimens for self-assembly.

You begin to see why laburnum is so popular. If you want roses instead, your should space out your arches to make the skeleton of a tunnel, between which plenty of light falls. A pair of arches, a yard wide, can be repeated every

three or four yards to make a respectable run: on each, I would plant Rose New Dawn as my first choice, because it is not too vigorous and likes to let a few flowers slip below the support for its overhead branches. It works very well but like all roses it is not a plant for a continuous tunnel. The roses sit on the top of the roof facing upwards rather pointlessly.

Is there not some wildly original possibility, waiting for a new Bodnant? Perhaps you know one, but I have never seen an alternative dangler whose flowers rival the laburnum. There seems no point in planting False Acacias instead, although they are popular in France. They bear a few wisps of flower, some of which dangle, but are not spectacular.

I have seen a charming tunnel of greenery, however, and a possible arch with exterior flowers in warm summers. The green tunnel was made out of weeping ash trees. The one problem is that the leaves are slow to appear in spring. Thereafter, they are a green shade but have no significant flowers.

The other idea for an arch is the Judas Tree. It bends easily over hoops or frames, and its round, fresh green leaves are very smart and tidy. In a warm summer, it bears bunches of rose-coloured flowers. If only the tree dangled, like Judas who is supposed to have dangled from one of its slender branches. Instead, it grows neatly and casts shade while flowering on the outside of the tunnel. It has style, and green arches could use it more often. However, it does not match the super-wistaria that remains firmly in my mind's eye.

Bridge

MY FIRST hand comes from teams-of-four:

N
♠ K J 8 2
♥ 5
♦ A J 10 5
♣ Q 10 4 3

W
♠ 6 5 4
♥ Q J 9 8 2
♦ 9 8 3 2
♣ 8

E
♠ A 10 9 3
♥ 7 6 4 3
♦ 7
♣ A J 9 7

S
♠ Q 7
♥ A K 10
♦ K Q 6 4
♣ K 6 5 2

South dealt with both sides vulnerable, and bid one no trump, North replied with two clubs, hoping for a response of two spades, but when South said two diamonds, denying a four-card major, North raised to three no trumps.

West opened with the queen of hearts, East beginning a peter with the six, and the king won. Declarer led his spade queen, the ace won, and East returned the three of hearts, which was covered by 10 and knave, and West cleared his suit with another heart. South ran four rounds of diamonds, but when he led a club, East rose at once with his ace, and a heart return put the contract one down.

If declarer had known something about Avoidance, he would have fulfilled his contract. At trick two he should cross to the diamond 10, and lead back the two of spades. East must duck – otherwise he sets up three tricks in the suit for the declarer. If West should hold the ace and win, he cannot attack hearts without the loss of a trick. Now South enters dummy with another diamond, and leads the club three. Once again, if East takes his ace, he sets up two tricks in this suit for the declarer, and that is enough. If the club king is allowed to win, South will switch back to spades.

Study and understand Avoidance. It will work wonders for your dummy play.

Now to rubber bridge:

N
♠ A Q
♥ Q 9 2
♦ K 8 4
♣ Q J 10 9 3

W
♠ J 10 8 7 3
♥ 10 8 5
♦ Q 3
♣ K 6 4

E
♠ 9 6 4 2
♥ J 6 4
♦ 10 7 5 2
♣ A 8

S
♠ K 5
♥ A K 7 3
♦ A J 9 6
♣ 7 5 2

North dealt at game all and started with one club, South replied with one heart, North raised to two hearts (one no trump is preferable), and South went three no trumps. West opened with the spade knave, taken by dummy's ace. It was clear that the time factor ruled out the club suit, and the declarer saw that he must score seven tricks in hearts and diamonds, but which suit should he play first?

After a little thought he realised that four tricks in hearts could not be made without a 3-3 break, whereas there was an added finesse position in diamonds. So hearts must be tested first. He cashed queen, king, and ace, both the defenders following suit, and cashed the seven.

Now three tricks from diamonds were enough, so he decided to employ safety play. He cashed the ace,and led low to the king. When West produced the queen, there was no further problem. He returned dummy's last diamond, finessed his nine, and made an overtrick. Of course, if hearts do not break, diamonds must yield four tricks. South cashes the king, and finesses his knave.

E.P.C. Cotter

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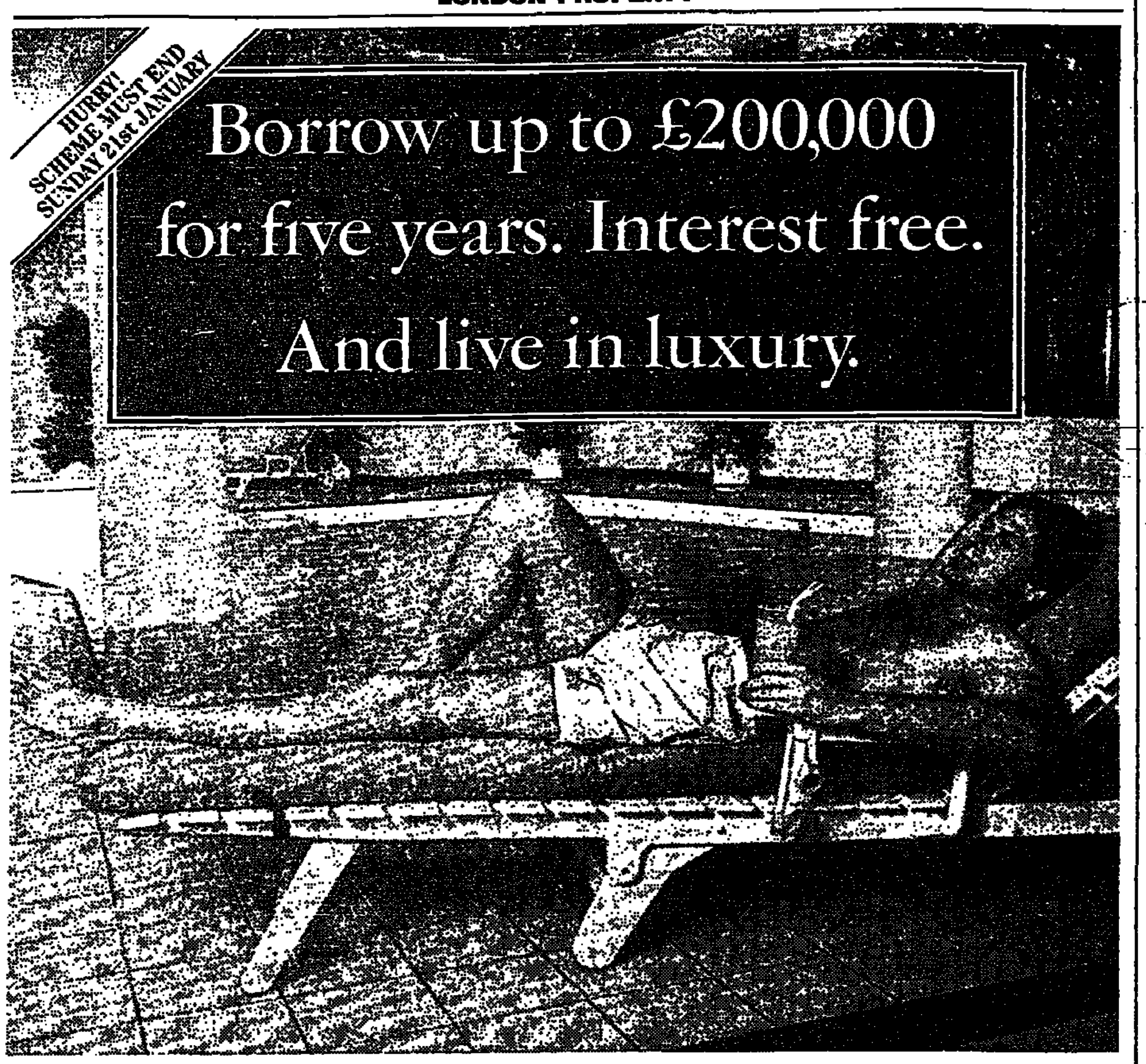

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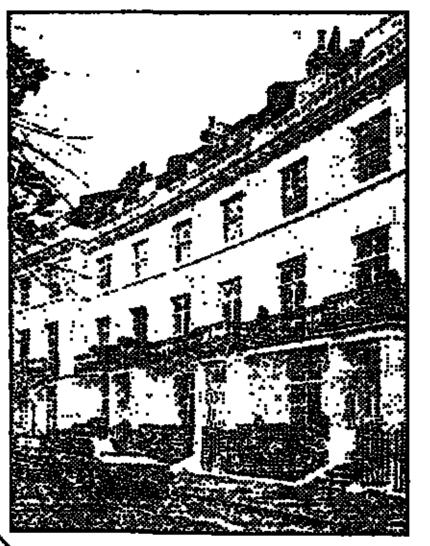

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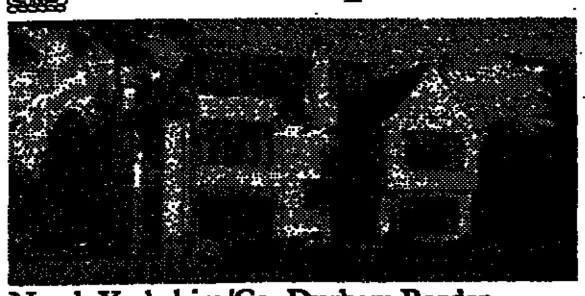

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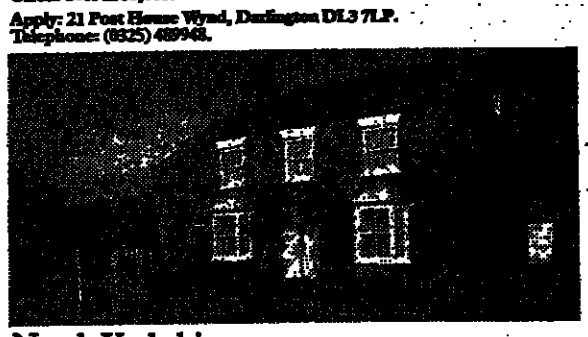

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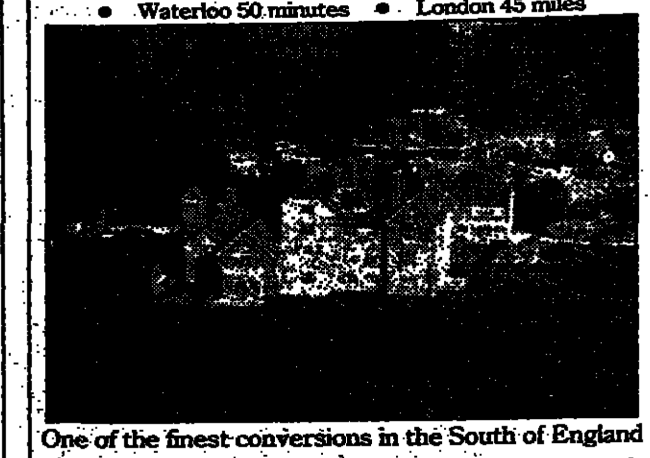

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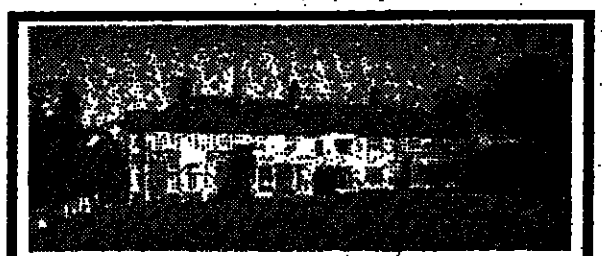

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How to avoid feeling car sick.

(Read this before you buy a £20,000 luxury saloon.)

If you are about to buy a £20,000 car, you should first read an article which appeared in July's Performance Car Magazine.

It set out to discover what real people thought of the cars on offer and it found that when offered say £20,000 to buy a company car, most people have already made their minds up on what they want, and "BMW are perceived to be the user/chooser executive choice."

BMW themselves admit that over half of the people who buy their cars do not take a test drive beforehand. The magazine's own research suggests the figure to be nearer 75%.

So 48 people who might be in the market

for a £20,000 saloon, were asked to place eight cars in order of preference and this was the result:

1.	BMW 525i SE
2.	Saab 9000 CD turbo
3.	Audi 90 Quattro
4.	Honda Legend
5.	Alfa Romeo 164 Lusso
6.	Ford Sierra Cosworth
7.	Jaguar XJ6 2.9
8.	Rover Vitesse

Nearly everyone put the BMW at the top of the list, in the same way that all but one put the Rover at the bottom.

Then came the acid test. A cross section of these people were then given all eight cars to test drive over a mixture of roads in one day.

Aged between 32 and 38, they were exactly the sort of people that manufacturers of this type of car desperately want to woo: an architect, a stockbroker, a property developer, a company director. In short, they were not the sort of people who minced words, and after the test, they were asked to re-assess their earlier list.

The results were very different. As the magazine said, "this wasn't just a victory for the Alfa, it was a walkover – with six of the eight drivers putting it first and the two that didn't putting it second."

Comments were all equally effusive. "At last, a real car. I want one now..."

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No one talked about the Alfa's image. "They liked it as a car, not as a dinner party conversation piece." One person picked up on the engine's "intoxicating noise," while another simply called it "gorgeous."

(The 164's 3.0 litre V6 engine reaches 0-60 in 7.5 seconds and has a top speed of 143mph.)

Even the magazine thought the Alfa Romeo had the best engine and "subjectively, it just pips the BMW in the beauty stakes."

As far as the testers were concerned, the BMW was pipped into fourth place.

"Time and time again, the chaps climbed out of it saying it had done nothing to tickle their erogenous zones. Where they were expecting pizzazz, they were given humdrum. Where they were expecting excitement, they were given competence."

Feelings were summed up by the person who said, "Quite obviously a superb car in every way, except for two things. It needs more power and it is utterly boring."

All of the other cars received equally severe criticism. One person, climbing out of the Jaguar simply said "Well that's just a waste of a walnut tree."

The Rover, people thought, would "go down a bomb in Eastbourne," while the Ford Sierra Cosworth divided the testers between those who were enthusiastic about the engine and those who were put off by the badge.

"It's still a plastic Ford Sierra," said one.

"When driven in the wet, it serves as a constant and noisy reminder of one's own mortality," summed up another.

No one was wildly enthusiastic about the Audi 90 Quattro's engine, with one person saying it needs more guts.

Sadly, the Honda Legend suffered most. One tester said "it was like being in an old people's home," and "it should have stayed in Japan," while someone else said he'd "rather have a moped."

The magazine concluded that people's image of a car was often very different from the reality.

"People had conspicuously high hopes of the Audi (thanks to rallying), of the Honda (thanks to Formula One), and of the BMW (thanks to all sorts of things); but, at the end of the day, each of those products failed to live up to the picture the imagination had painted."

The Alfa Romeo 164 was judged and won largely on technical merit. (Hardly surprising, when you consider it offers ABS, air conditioning, a compact disc player and a 3-year unlimited mileage warranty for under £22,000.)

"This would be very good news..." observed Performance Car "... If only (Alfa Romeo) could get people to take test drives before making a decision." The moral of the story is obvious.

A little research into what your money can buy should prevent any car sickness in the future. Especially if you include in your test drive the new Alfa Romeo 164 automatic; a car which has also prompted rave reviews from motoring journalists.

For instance, the Mail on Sunday claimed that "the four-speed automatic is...one of the sweetest I have tested." While the Sunday Express found it to be "a joy to use under all conditions."

The most poetic reaction however, came from the Financial Times: "From a standstill to whatever speed one's conscience allowed, the automatic 164's power flowed as smoothly as double cream pouring on to strawberries."

For more information, complete the coupon and send it to Alfa Romeo (GB) Limited, FREEPOST, Poulton Close, Dover, Kent CT17 0HP, or phone (0304) 203396 (24 hours).

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The Alfa Romeo 164 3.0 V6 is £18,990 and 3.0 V6 Lusso is £21,395 including Car Tax and VAT. Delivery and number plates are extra. Prices correct at time of going to press. All Alfa Romeos now run on unleaded fuel.

PROPERTY

A new bid for sales

John Brennan on a different way to offload homes

BIDDERS should keep half an eye on one man in the auction room at the Ashley Park Hotel in Walton-on-Thames, Surrey at 3 pm on February 1. That's when local agents Curchod & Co. (093-874488) and the Halifax Building Society's "Easy Auction" initiative brings 25 homes in the Walton, Weybridge and Chertsey areas on to the market in an effort to break the year-long sales log-jam. The man to watch will be the Halifax's valuer, since every property in the sale will already have been surveyed, cleared for mortgage suitability and, inevitably, have been judged for value.

Tony Davis, the Curchod partner who will be handling the sale, says that: "The Halifax accepts that the price that a property fetches in a well-advertised open auction will be the market price." But Simon Varley, manager of the Walton-on-Thames branch of the Halifax (0932-240125), confirms that the society's valuer will have his own views on how much is too much. Over-exuberant bidders could find themselves beyond the society's valuation limit, and in those cases "we would not lend beyond the normal value."

The building society hasn't told the auctioneers what mortgage valuation it has arrived at for the properties. The valuation documents will not be available except to those successful bidders who take up the Halifax loan offer, when, as Simon Varley points out, "they'll see if they have a bargain". Halifax representatives at auction will, therefore, have to practice their poker faces to avoid any overt wincing if the bidding gets too heated.

In reality, it is improbable that the family homes on offer will so excite bidders that the auction results will run well beyond the guide prices. And the society's understandable caution about guaranteeing to provide a mortgage on properties where there is a potentially open-ended sale price is the only obvious limit on an otherwise imaginative move to attract a broader range of buyers into the saleroom.

As Tony Davis says: "Auctions have the aura of being something for professionals, so we wanted to make it easy for people to come along and make a bid without the hassle and expense of having a survey done beforehand, having lined up deposit money and organised legal help on a property that they might not buy on the day."

This "easy auction" has, therefore, been limited to properties that the Halifax is content to lend against, ones where the legal searches have been completed, legal assistance for purchasers is on hand, and where bidders can be assured of vacant possession within 28 days. Bidders don't have to use the Halifax facilities but for those who do, in addition to ready-prepared home loan documentation, the Halifax has also arranged to provide unsecured loans to cover deposits reduced from the normal 10 to just 5 per cent, and subject to a maximum limit of £7,500.

"We will have the loan application forms already prepared for anyone who contacts us beforehand and who meets the normal borrowing requirements," says Halifax's Simon Varley.

"If they make a successful bid we will have a fax link from the auction to our office and their application can be processed inside 20 minutes and the deposit cheque cleared to the auctioneers immediately."

A number of commercial property auctions have been organised along these lines, where the properties come to auction complete with independent survey and search documentation and with loan arrangements already agreed. The Curchod-Halifax move is the first residential equivalent. And on the basis of reaction thus far, Halifax's Varley says that "it well could be the shape of sales in the 1990s."

For the agents, Davis explains that: "This is an effort to get the market moving in our area. There is pent-up demand in this market at the moment, but generally speaking people are enmeshed in sale chains and the easy auction route is a way of short-circuiting the problems."

More than 700 copies of the sale catalogue had been requested a fortnight before the auction.

The properties range from a one-bed retirement apartment in a warden assisted block in Weybridge, Surrey, with a £60,000 to £70,000 guide price, to a four-bed, detached home in six acres at Anningsley Park, Guildford Road, Ottershaw, which could sell for £500,000.

Right houses hold their price

CASH BUYERS, touring the country offices of estate agents and expecting to find an overwhelming choice of cut-price properties, have been having a frustrating winter. The season's crop of good country houses and cottages for sale is thinner, and not visibly cheaper, than at this time last year.

In town, it's a buyers' market. In the shires, it's still a matter of wresting properties from owners who have been showing deep reluctance to sell them. There are, of course, any number of secondary or ambitiously priced properties on the market that have been gathering dust on agents' lists for months.

Thanks to the sales jam in town there are also far fewer prospective buyers intent on cashing in the existing home for a place where they can march around in green wellies and complain about British Rail to fellow commuters in ye olde village pub. Even without the competitive bidding commonplace before the summer of 1988, however, it takes only two cash buyers to chase the price of a property up to levels reminiscent of headier days, and those buyers do come out for the pick of the property offerings.

Cruck Cottage at Upper Lambourn fits that bill on several counts. The Berkshire Downs are prime commuter territory for London and the wealth corridor of new and relocated business west along the motorways. Add in the fact that it's a modernised 14th century, Grade II-listed, thatched four-bedroom house with a home office annex in half an acre of garden, and the "offers in excess" comment on a £300,000 guide price doesn't seem unduly hopeful.

Cruck Cottage, a mile from Lambourn and seven from Junction 14 of the M4, is on the books of Knight Frank & Rutley's Hungerford office (0488-82726).

Agents see a glimmer of hope

BARNARD MARCUS is the London estate agency arm of the Royal Life Estates network. Like its competitors, it has had a grim year.

Near stagnation in the market at the start of 1989 reflected the virtual disappearance of first-time buyers and consequent log-jam of sales up the price range. Over the year, the agency's sales justified the term "slump" – 55 per cent down on 1988.

Average prices on those properties that did change hands fell a full 20 per cent from their 1988 values. Those two indicators explain the closure of 16 of the agency's residential offices in London – which took the number of its offices down to 50 – and 190 layoffs – which with natural wastage has reduced the staff to around 500.

First-time buyers still accounted for less than 10 per cent of property applicants at the beginning of the autumn, and six in 10 of all the agency's surveyors' valuation jobs in that last quarter were carried out for remortgaging purposes.

Forecasting "a gradual return of confidence to the market," against that background alone would be taken as evidence of mild hysteria. However, the winter brought signs of renewed interest by those previously price-crushed first timers. On a similar sample of applicants at the year-end, the 10 per cent of first-timers rose to a full third of those looking for a home.

According to Robin Paterson, managing director of the London agency offices, "most of the offices have started the year busier than they have been for 12 months." Most of that activity has been for lower priced properties, in the £60,000 to £200,000 range.

"Without doubt we have come into this year with better indicators than we came into 1989. There is strong, bottled-up demand now and I think that sales volume should certainly improve by as much as 10 per cent to 60 or 65 per cent of the level of sales achieved in 1988. It looks as though prices at the bottom end of the market have bottomed-out now, and I wouldn't expect those to do more than stabilise in the next quarter."

Paterson doubts, however, if that prospective recovery in sales means a revival of estate agency fortunes. Closures have reduced the number of estate agency offices across the country by about 20 per cent, from over 13,000 to nearer 10,000, but he believes that the market is still over-agencied.

"Some areas are worse that others, but I think that we could still see the loss of a further 10 per cent of offices over the country as a whole."

Paterson does not believe that a further rise in mortgage interest rates would necessarily squash the pent-up demand for homes. Any early reduction in rates, on the other hand, "would increase activity to such an alarming rate that we would see another explosion in prices."

J.B

REVOLUTION IN THE EAST

The power of people against guns

John Rae sees a stronger case for non-violent resistance

"You might of course say that there can be no non-violent rebellion and there has been none known to history. It is my ambition to provide an instance . . ." Mahatma Gandhi.

HAS GHANDI'S faith, and that of the pacifists of the 1930s, been vindicated by the recent revolution in East Germany and Czechoslovakia, achieved by unarmed civilians and non-violent methods? Even in Romania, where civilians fought alongside the army against the Securitate, the initial impetus for change came from non-violent protest.

When the authorities tried to disperse the protesters by force – with police truncheons in Wenceslas Square, with bullets in Timisoara – the use of state violence against unarmed men and women turned out to be a bad miscalculation. As the pre-war advocates of non-violent resistance had always predicted, the use of force increased popular support for the protesters and undermined the resolve and credibility of the government.

The events in Eastern Europe do not by themselves prove that Gandhi was right, or that non-violent resistance to an oppressor will triumph. Too many other factors made the Communist regimes ripe for collapse. But the way the end came, particularly in East Germany and Czechoslovakia, does raise the interesting question of whether non-violent resistance is an idea whose time has come.

The most widely-read interpretation of Gandhi's ideas in the West was Richard Gregg's *The Power of Non-Violence*, published in the UK in 1935. "Greggism" was taken up by Dick Sheppard's Peace Pledge Union, some members believing that a non-violent stance would take the sting out of Nazism. Donald Soper, the Methodist peer and pacifist, claimed that while the people of an occupied country "might have their lives seriously restricted and their outward freedom denied them," a German invasion would not "involve any loss of life." He seems to have forgotten that for some of his fellow citizens, non-violent resistance to Nazism was not an option.

Both Gandhi and Gregg recognised that non-violent resistance could involve suffering and loss of life. But they argued that if the oppressor used force against the non-violent resisters, he would undermine his own position, especially if the oppressor was not an invading army but a domestic or imperial government.

The obvious criticism of non-violent resistance was that it would only be effective against an oppressor who would be morally inhibited from using extreme violence. It was all very well to theorise in peacetime and to draw general conclusions from Gandhi's campaign of resistance to a "decent" oppressor in India. The SS and the Gestapo had no better nature to which to appeal.

When the war came, scepticism about the effectiveness of non-violent resistance appeared to have been entirely justified. Gandhi's argument that even the most evil oppressor was not completely deaf to the voice of humanity and reason was no comfort to those who had to face Nazi brutality and Japanese militarism.

It is true that in those countries whose people the Germans regarded as racially acceptable, non-violent resistance to the occupying forces could achieve results. In Norway, for example, the teachers refused to co-operate in the Nazification of the curriculum and, after imprisonment and hard labour in the Arctic, they persuaded the occupying authorities to change their mind.

But what was possible in Norway would have been suicide in German-occupied Russia. The Slavs were expendable *untermenschen* for whom the concept of non-cooperation or non-violent resistance was meaningless. The exception of Norway proved the rule. Non-violent resistance was only effective when the oppressor was for some reason inhibited from using the violence at his disposal. The British withdrawal from India in 1947 re-enforced this view. The Raj had been inhibited by world opinion, by his own moral sensibilities and by a growing conviction that this was a struggle he was not going to win.

Similar inhibitions appear to have persuaded the East German and Czechoslovak Governments not to follow the example of Tianaman Square. There was, too, an important new factor increasing the power of the non-violent demonstrators. That factor was satellite television.

The demonstrators in Leipzig and Prague recognised this; so did their governments. To massacre your own people while the world is watching is a colossal risk and one that neither government was prepared to take.

Gregg argued in 1935 that the swift broadcasting, through the radio and the newspapers, of the details of an attack on unarmed civilians would help to undermine the government responsible. How much more powerful are visual images of unprovoked aggression. Had the world's television cameras been present in 1919 when General Dyer opened fire on an unarmed assembly in the Jallianwala Bagh in Amritsar, it is doubtful whether Britain could have hung on to India for a further 38 years.

If television has so strengthened the power of non-violent protest, why did it not inhibit the Chinese leaders? The answer may lie in the long delay before the authorities ordered the soldiers to shoot. Were they waiting, perhaps, for the world's television audiences to tire of Tianaman Square? Or did they take a calculated risk?

Whatever the explanation, it is by no means certain that the risk has paid off. The massacre of Chinese students may yet prove that, in the modern world, using extreme force against non-violent protesters will, sooner or later, bring down the government responsible.

Dr John Rae, formerly head master of Westminster School, is the author of Conscience and Politics.

Above, a Conscientious Objector's Tribunal questions a pacifist in Swansea in 1939. Right, workers demonstrate in Romania

Struggle to be free of the hated Stasi

Rolf Schneider, the East German novelist, on the activities of the feared secret police

AMID THE tide of debate in the German Democratic Republic, one theme stands out – the past, present and future of the secret police. It was a hated institution, and it was everywhere.

The East German state security network – the Stasi – was modelled on the Soviet secret police under Stalin and was set up as its offshoot after the war. Besides the typical secret service operations of foreign spying and counter-espionage, it was also responsible for the personal security of leading politicians. The service even included an elite military unit, which formed a guard of honour for state visits. When President Mitterrand inspected the troops on his visit to East Germany just before Christmas, he marched past a file of secret policemen.

For ordinary people in the GDR, the most painful part of the Stasi's business was the permanent observation of their private lives. All activities that could in any way disturb the Communist party bureaucracy's hold on power had to be investigated. Clandestine attempts to emigrate, conversations in churches or the collection of data on the environment – they were all under the Stasi's thumb.

Calls to end the Stasi's dominance have multiplied since the East German people took to the streets in October last year. Spontaneous citizens' committees have been set up to stop Stasi offices destroying documents. We have made some startling discoveries. Honecker's secret police possessed its own companies and factories and was responsible for running top politicians' residential quarters and hunting estates. Detainees in the Stasi's prisons took open-air exercise in walled boxes reminiscent of animal stalls.

Outside their official buildings, the secret service maintained a web of apartments and houses for various purposes. In Schöneiche, a small community on the edge of East Berlin, there were eight such Stasi villas. They are solid family houses with gardens, mostly occupied only by a caretaker – in an area, like most parts of the country, with serious housing problems.

Citizens committees that have opened up these buildings have found telephone tapping equipment. In our district of Fuerstenwalde alone there are 600 houses and flats used by the secret police. There are 200 districts in the whole country, and a Stasi network operated in each one.

From a report by the new government on the Stasi, we read that the organisation had 85,000 full-time employees, with an unknown number of "unofficial workers" – informants. One can estimate that there were 150,000 of these part-time "sniffers."

'The secret service should revert to its prime function of inspiring spy novels'

This works out at one Stasi employee for every 65 members of the population. If you add the other military units in Honecker's state – the army, border guards, customs authorities, various police units, the party militia and the paramilitary Society for Sport and Technique, the total is 1.4m military personnel – one for every 15 GDR citizens.

What will happen now? On January 10 30,000 of the Stasi's full-time employees lost their jobs. The Government had the intention of organising the rest into two new organisations – a plan which Prime Minister Hans Modrow has now dropped because of new street protests.

When sacked Stasi employees try to get jobs at civilian firms, they are turned down – workers have even threatened to go on strike. The main Stasi employees were well-paid and were given privileged living quarters; now they face insults in the street.

The Government has claimed that a new organisation is needed to fill a "security vacuum." A few cases of Nazi slogans appearing on walls around the turn of the year, regrettable in themselves, were used to justify a new secret police. However, people know that neo-Fascism in today's GDR is scarcely any more prevalent than it was yesterday – when the Stasi insisted on ignoring it. There are at the most 2,000 neo-Nazis in the GDR, and they can be dealt with by the existing regular police force.

The Securitate of the Romanian dictator Ceausescu was merely a more extreme illustration of the principles followed by the East German secret police. Old habits die hard – in recent weeks it has been revealed that the Stasi sent a telex message from the town of Gera appealing for a coup against the newly formed opposition movements.

The Stasi of course has never been a homogeneous organisation. It has been composed of various factions, one of which has come to public attention in a curious way. Because of differences with Erich Mielke, the former secret service minister (now under arrest), Markus Wolf, his deputy, left the organisation and became one of the most outspoken proponents of perestroika in Honecker's GDR.

Wolf was in charge of foreign espionage. Experts say he was an excellent man. Now he writes books. He has also continued to express the opinion that it is impossible to govern a modern state without a secret service. For the moment, the East German opposition holds the opposite view.

Although demoralised, the old Stasi could itself become a threat to security. It cannot be ruled out that secret police provocateurs organised the painting of Nazi slogans. The real purpose of the Stasi, of course, was to preserve Stalinism. Now that this is on the way out, the secret service should revert to its prime function of inspiring spy novels – and nothing else.

■ *Rolf Schneider lives in Schöneiche on the outskirts of East Berlin.*

مكتبة الأصل

TRAVEL

Rastas, PR thugs and perfect peace

***James Henderson** on the influence American and British cultures wield over the Virgin Islands*

FOR A 16th century cartographer, the Virgin Islands must have been a nightmare assignment: theodolites on the mountaintops, islands that disappear at high tide and heat that would make parchment wilt. One hundred and fifty coral caps and volcanic protrusions are spread across 1,000 square miles. There is enough detail to have made the most meticulous of scribes lose his patience. One smudge and he would have been finished.

Today, the Virgin Islands are divided between the Americans and the British. In 1916, St Thomas, St Croix, St John and assorted cays were sold by Denmark to the US for $25m, a sum that must change hands weekly in St Thomas today. Here, every car numberplate noisesomely proclaims *American Paradise* as it cruises by. The other half of the Virgins, with roundabouts and red pillar boxes, is its sleepier sister-nation, the British Virgin Islands.

I came from Puerto Rico by seaplane. It seemed an unwieldy beast at first as it bounced sluggishly over the waves (no wonder they wanted to know my body weight), but soon it was up and away, humming like an outsize tuning fork. The plane wheeled like a pelican and thudded down among the yachts, coasting into the harbour at Christiansted.

St Croix tells the story of the West Indies well. Like so many of the islands it was basically a sugar factory, and the windmills that crushed the cane run through the island like a *leitmotif*. Each time you look up, there is another conical tower perched on a hilltop. Time was when St Croix supported 90 working sugar plantations on its 80 square miles. But the old order has subsided and 20th century empires have taken its place. Pizza Hut lurks behind the columns and arches of the Danish warehouses and international hotel chains have moved in on the plantation buildings.

A few miles to the north, the USVI's capital, Charlotte Amalie, is a riot of red tin roofs and scratchy green palms. Like so many Caribbean capitals it shambles over the hills above a fine harbour, the source of its fortune.

The West Indies I know well, but the mystic rites of modern America are a little lost on me. As a result, St Thomas proved to be an education. This latter-day freeport is like a funpark where dutiful citizens can spend their dollars.

St Thomas is modern-day mercantilism at fever pitch, with money crammed through the system. On a bad day, 10 cruise ships will call and each set ashore 1,000 lobster-red tourists, all of them scuttling around, looking to score.

I thought of the great Caribbean traveller Pere Labat, roving philanthropist and gastronome — a man who, facing capture by pirates, would not fire off his only cannon ball because it was needed for crushing the garlic — and I wondered what he would have made of all this.

He came to St Thomas in 1700. To my horror I realised that it had been exactly the same in his day: St Thomas was an overgrown emporium even then, a freeport where corsairs would break ship after weeks of cruise-and-plunder on the high seas. I pictured him, bemused among today's seaborne raiders pouring ashore and racing past the taverns to the boutiques.

It seems a pity to develop the island in this way, but St Thomas is merely the most extreme response to the classical Caribbean problem. The islands have seen so many empires come and go over the centuries, and yet they cannot hold on to any of them — sugar, coffee, cocoa, fruits, rum, oil, off-shore banking . . . tourism is just the latest. Their economies are simply at the mercy of larger markets. If Europe decides that it doesn't want bananas, half of the Windward Islands' foreign exchange goes out of the window, so who can blame the islands for investing in tourism? It could all be gone tomorrow.

But development has its penalties. Imagine a national consciousness that is made up of waiters and maids. No wonder rastas talk in apocalyptic terms about modern-day slavery. If I had to work in St Thomas, I would commute from St John, a 20-minute boat ride away, on the route to the BVIs. The island is beloved of writers, recluses and campers. It was bought up by Laurance Rockefeller in the '50s and is now mostly national park. On the ferry, St John glided past and I could see tents among the decaying plantation buildings.

A smiling face and rasta paraphernalia sidled up: outsize tam-o-shanter in red, gold and green, a leather pendant of Africa, and one dreadlock, a strip of brown felt, hanging loose. He worked in the US Virgins, making a good living from the look of the gold around his neck, and now he was going to see his family for the weekend. Like all the hustlers here he was friendly and chatted away while he worked through his inventory, offering drugs of ever-increasing strengths. Entrepreneur to the last, he offered me a guided tour of his plantation.

People say that the British Virgins are 20 years behind the US Virgins. Thank God that they are. The 12,000 inhabitants earn a fraction of that earned by their neighbours, and the younger generation may have left to find well-paid work, but many of their parents live a more traditional West Indian life. The PR thugs have been called to the British Virgins, but they have not yet changed the place irreparably.

We arrived at Roadtown on Tortola. The British were never very adventurous about names in their Caribbean colonies, but they excelled themselves in the capital of the BVIs. However, wags can almost legitimately claim that it is not that inappropriate after all: the town has only one road. Another odd but persistent imperial bequest is uniforms. We were greeted by a customs officer in blue serge trousers and a neatly pressed shirt that could have belonged to a London policeman.

For all the intricacy and the backbiting, a refreshing fact of Caribbean politics is that you are quite likely to come across the PM at lunch in the pub. I met a former Speaker of the (12-member) House in a menswear shop while looking for a pair of shoes. In fact he sold them to me — after an hour of sales talk that encompassed the history of the BVIs. This was how he chose to fill his declining years.

In the Fifties he had advocated a sort of *enosis* with the US Virgins, though he was now glad that it had not happened. In the British Virgins they were proud of their British association. It brought a certain stability. The islanders may not have been allowed to make much out of rum-smuggling during Prohibition, but at least they all owned the land they lived on. In the US Virgins, speculators had turned the place upside down.

Leaving Tortola behind, I travelled on to Virgin Gorda through Sir Francis Drake's Channel, where islands rise from the water in every direction around you. As you move, small cays shift position close at hand, but on the distant skyline the raging volcanic colossi do not budge. The scene is as exciting now as when Columbus was first thrilled by it and named the area after St Ursula and her 11,000 Virgins.

The British Virgin Islands have gone for exclusiveness. Many of the outlying islands have nothing more to them than a few fishermen and a fearsomely expensive hotel. Life is tranquil. Nothing works, but somehow everything always seems to work out.

James Henderson is the author of the Cadogan Guide to the Caribbean, to be published in October.

Ashley Ashwood

And the living is easy: Long Bay, Tortola, in the British Virgins

Merrie England

West Country treasure trove

"IF THERE is no-one in the Malthouse, ring the (cow) bell outside this door. If no-one appears, please use the phone and dial 25. The phone is on the shelf behind you near the books. Thank you," said the notice.

Such is the informality which greets the visitor to East Lambrook Manor Garden in south Somerset. The garden here is a delight. Begun by the late Margery Fish in 1938, it contains an enormous number of plants and is particularly noted for its many varieties of primroses, snowdrops and hellebores which flower in late winter and early spring.

It is also just one of a treasure trove of places to visit in this scarcely noticed part of the West Country. The A30 and the A303 roads which bring travellers from London normally whisk them on to destinations further west. The A303 has been a highway for centuries and follows the course of the Fosse Way south west from Ilchester.

Locally, the Romans are said to have occupied Ham Hill, which has commanding views over the surrounding countryside. The Somerset Levels expire here in a maze of small hills and clumpy woodlands among which nestle little villages with names like Haselbury Plucknett, Dowlish Wake and Shepton Beauchamp.

Ham Hill is also the source of the hamstone, a locally-noted building stone the colour of the honeycomb. Quarries have long been worked here but nowadays only a little stone is extracted, mainly for material to repair existing stone properties such as Montacute House.

The old paymaster's house on the hill is now the Prince of Wales pub, while Ham Hill itself is a country park and makes a good lunchtime venue. Montacute House is one of several National Trust properties in the area. Built in the 17th century it has a number of remarkable features including a stone staircase, each step of which is a single stone, 7ft long. This takes you up to the Long Gallery on the top floor which was used for exercise in bad weather. Legend has it that it was also used for exercising horses, although the National Trust denies this, confirming only that a couple of Shetland ponies were once persuaded to climb the stairs.

Today the Long Gallery houses a collection of paintings from the National Portrait Gallery. Outside, the gardens are bounded by a beautiful yew hedge which has been cleverly trimmed to give it the appearance of rounded, water-worn rocks. It is so well executed that the hedge looks solid enough to climb.

There are a good number of cider orchards. I guess that many of the apples are grown for the large manufacturers but there are a few smaller-scale cider makers still hanging on. Two of these, Perry's Cider Mill and Burrow Hill Cider, both welcome visitors and have cider for sale.

Another local industry typical of the wetlands is the growing of withies, saplings of willow, which are harvested for basket making. The process of stripping their bark and boiling them to whiten them before being made into baskets is explained both at the Willows and Wetlands Visitor Centre and at Willowcraft.

South Somerset is not all rural crafts, though, as the frequent over-flying of helicopters testifies. Not only does Westland have its manufacturing base in Yeovil but its products are in constant use by the Fleet Air Arm based at Yeovilton, just outside Ilchester.

Here, at the Fleet Air Arm Museum, the story of flight is faithfully recorded from Icarus upwards, and the museum contains a wide variety of aircraft from the First World War and later. There is often the opportunity to view today's working aircraft flying at close quarters, too, and during my visit I was able to watch a Harrier land.

There is also a fascinating display about the development of Concorde. In addition to an enormous bank of electronic equipment, it contains reassuringly basic items such as a periscope to view the outside of the aircraft in flight and a crew escape hatch complete with rope ladder.

■ *South Somerset District Council (tel 0935-75272) produces a useful tourist information pack including an accommodation guide and two extremely good sets of 10 circular walks. You can also contact East Lambrook Manor Garden, Montacute House (0935-823289) and the Fleet Air Arm Museum (0935-840565) to check on opening times.*

Michael J Woods

Aussie 'invaders' aim to raise class of vin ordinaire

***Jancis Robinson** discovers two Antipodeans out to tackle the French winemakers on their home ground*

LANGUEDOC-ROUSSILLON, France's biggest wine region, is being quietly invaded by aliens from another planet – another planet in viticultural terms, anyway – Australia.

From an office overlooking Montpellier's *Jardin des Plantes*, which coincidentally provided most of the vine cuttings that were shipped to Australia by James Busby in 1832 (on which the antipodean wine industry is based), James Herrick is masterminding a 1,000-acre invasion of southern France on behalf of the Australian company, Wine Industry Supplies.

Meanwhile, Hardy's, one of Australia's top wine exporters, is also busy buying into economies independent of the Australian dollar. Having set up a wine wholesaling base in southern England and acquired a controlling interest in Brolio Chianti in Tuscany, Hardy's has been seen loitering with intent around Beziers in the Languedoc.

However, it is not the wines currently being produced in this great sweep of vineyards curving round the Mediterranean coast between Spain and the Rhone delta that interests these newcomers. They want the land, but not the tradition.

For Wayne Jackson, Hardy's group managing director, opportunities back home are limited by falling wine sales to a relatively small population, while the Languedoc-Roussillon "seems to be an area that is able to grow, provided we can get the growers to respond in terms of grape quality. We know it's not going to be easy.

"We're confident in our own winemaking ability and we know we can make products that will appeal to the British market and others, using our technology and equipment specially made to our specifications – but we also know that what we want to produce is not necessarily what is currently available."

Behind this tactful understatement lurks arguably the most marked contrast of philosophies and techniques in the world of wine today.

Languedoc-Roussillon was until recently regarded as a necessary embarrassment by the rest of the French wine industry, providing huge quantities of undistinguished *vin rouge* from unkempt peasant vineyards.

Now that consumption of *ordinaire* is plummeting, the region no longer seems so necessary – nor so embarrassing – as an increasing number of its producers dedicate themselves to the concept of wine quality, but usually in the sacred French way – within the carefully delineated boundaries of the *appellation contrôlée* system. (Although it can be difficult to persuade a Parisian that the best Minervois or Corbières can be taken as seriously as the feeblest Bordeaux or Burgundy.)

The region's crusaders are still in a minority, however, and the typical Languedoc-Roussillon wine is still a dull mass-produced red from one of the co-operatives that control nearly 80 per cent of the region's wine production, just as the typical vineyard is more often than not a patch of ancient Carignan vines inherited by an elderly *paysan* and left to sprawl bush-like until his relatives descend to snip off the year's haul of rather ordinary grapes yielded by a long, dry summer.

This is not what the Australians have in mind.

In fact, in every respect, what they have in mind is exactly the opposite of prevailing customs. James Herrick's company want large farms that will yield – with technology-inspired efficiency including trellising, mechanised pruning and fertigation (irrigation and application of soluble nutrients) – fashionable white wine honouring not its geographical provenance *à la française* but simply the grape variety from which it was made.

On the two farms so far acquired by Wine Industry Supplies' French subsidiary (ambitiously named Global Vineyards), nothing but Chardonnay, the most fashionable vine and most seasoned international traveller of all, is being planted – quite an interloper in the environs of Narbonne, where Herrick finally managed to find his two farms of any size, between them totalling just 250 acres.

Herrick, the British-educated son of a New Zealand father and Irish mother, looks as though he should be a spear fisherman in Tahiti, which was exactly what he had mapped out for himself until, on that tropical island, he was persuaded to embark on this covert invasion of Europe by his co-directors, Robert Hesketh and Mark Swann, one of the "£10 Poms" lured down under in the 1960s.

They had sold their wine business, named after Swann, profitably in 1987, but, while Herrick was using his share of the proceeds to sail the South Pacific with his California bride, Swann found himself in the Languedoc and couldn't help being struck by what seemed to him the unrealised potential of France's vine wasteland.

The Herricks arrived in Montpellier a year ago, but are still suffering some of the effects of culture shock – notably the difference in bureaucracy between acquiring a toehold on a tropical beach and one in France's *vignoble*.

The Australians breezed in, thinking that land acquisition was simply a matter of finding a good agent. Over the last year, Herrick has learnt something of what land means to the average French family, and of how cosseted the hundreds of thousands of smallholders in the this part of the world have been by decades of subsidies and more recent schemes devised in Brussels.

"The French wine business here seems to be driven by administrative structures rather than by good sense," was his exasperated lament at the beginning of this month. "You see people planting vines in December, which is crazy, just because the grants run out at the end of the calendar year. If you ask them what will happen if the vines freeze, they'll tell you cheerfully it'll be quite all right because then they can apply for an emergency grant in compensation."

Nor are the newcomers impressed by the basic pillars of French wine wisdom. Like most Australians, Herrick refutes the tenet that hillside vineyards are necessarily better than those on the valley floor (where his farms are), arguing that it is all a question of sensitivity and manipulation. He and his Australian cronies also reject as an inviolable rule that there is always an inverse relationship between quality and quantity, and feel almost restricted by the maximum yield allowed of 90 hectolitres per hectare (it would be only about 50 for an *appellation contrôlée* wine).

Of course, France does have some attractions, which is why the Australians are there. The Languedoc-Roussillon is particularly attractive to them because irrigation is officially "tolerated," until the end of July anyway, and they like science, not nature, at the controls.

The main draw, however, must be the region's cheapness and size relative to other French wine regions (even the Bordelais are starting to invest there, too). Hesketh's Wine Industry Supplies ended up paying around Ffr90,000 (about £9,000) per hectare for their vineyard, made up of FFr45,000 for the land itself and Ffr45,000 for the plantation rights. (Depending on the size of their most recent crops, local farmers are offered between Ffr25,000 and Ffr60,000 by EC authorities as an incentive to pull up a hectare, or 2.47 acres, of vines in this region of wine surplus).

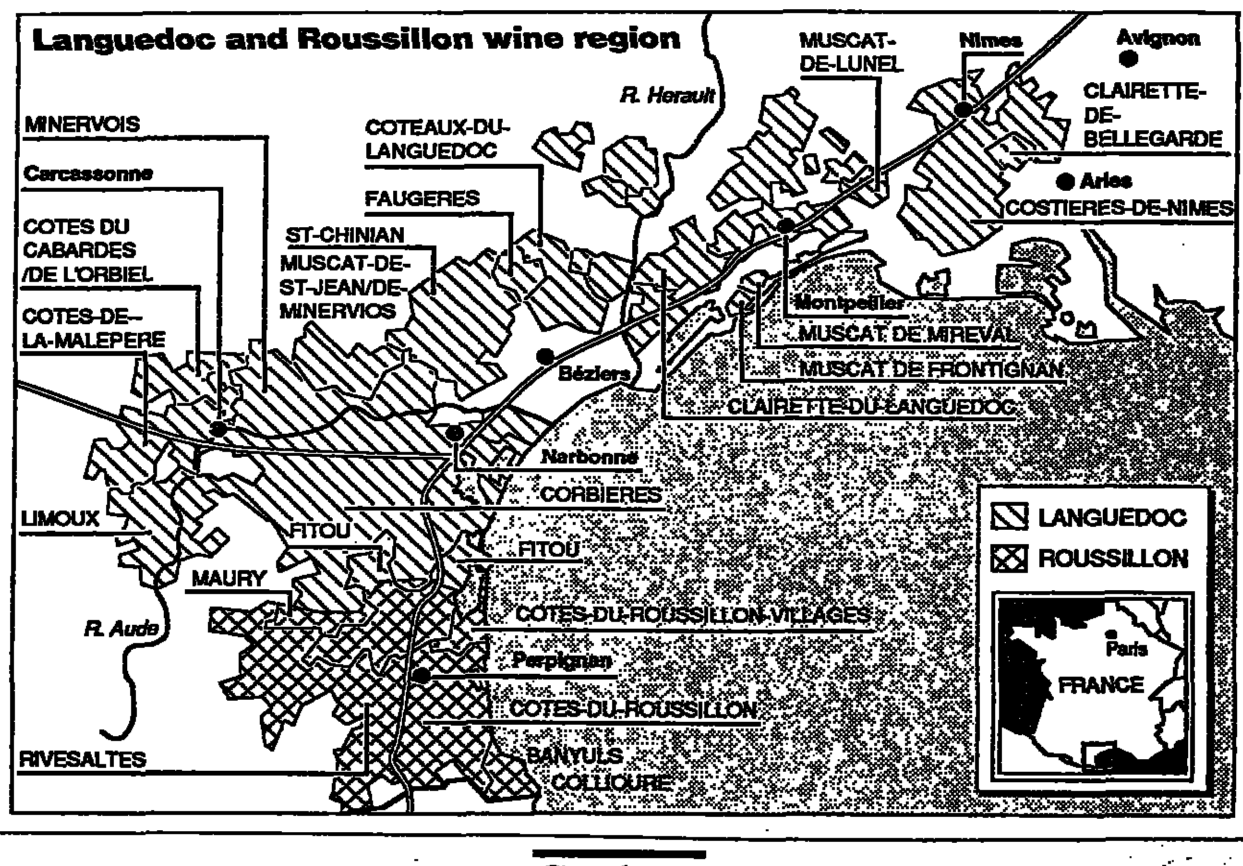
This is about the same price as the company would expect to pay for premium unplanted vineyard in, say, Coonawarra in South Australia, and considerably less than its counterpart in California. However, there is one big difference. "We believe that when all the world is making good varietal wine [named after the grape variety rather than the provenance] being French will be a distinct advantage. After all, the brand 'France' has hundreds of years of solid market leadership behind it," says Herrick, who spent some time marketing Glenfiddich malt whisky.

He is happy to quote that at Australians; less happy to pass on to Montpellier's *Midi Libre*, which has so far run no fewer than three stories about this Australian incursion, his assessment of their huge vine-covered hinterland: "Here we have almost 10 per cent of the world's wine production horrendously inefficient through over-protection. In Australia we're used to running 450 acres with four people. We spend our money on equipment, and that seems especially sensible here where they reckon one third of today's *vignerons* are likely to retire within the next five years."

So what do the locals think of them and their planned £10m investment? The expostulation "*Scandaleux!*" was the immediate response of an important local wine merchant, but the words that followed it expressed more passion than reason.

Local dissent, however, has taken a more concrete form. Herrick has had to contend with survey pegs pulled out and broken, and batteries stolen from a contractor's vehicle.

Meanwhile, he is left to contemplate his oases of potential technical perfection, scheduled to produce their first crop in 1992, wondering aloud: "Maybe the French have got it right. If you can successfully market geography . . ."



Food for Thought

The US gravy train is the one to join

GRAVY is different from sauce, and the Englishman's reverence for one partly explains his distaste and contempt for the other. A sauce, you see, is a way of making something like cauliflower taste of something else, such as cheese, but no-one wants roast meat to taste of anything but itself.

Gravy is the essence of the taste you get from the meat. However, as it is quite difficult to make, technology intervenes. I may live in an ivory tower, but I have not willingly had artificial gravy for several decades.

I was prompted to these rather schoolmasterish musings by my Christmas turkey. For my wife, the best part of the turkey has, for many years, been the bowl of dripping, eaten cold on Boxing Day and after, with hot toast. Turkeys aren't as fat as they used to be, so the bowl of dripping has only about an inch of fat on the top and the rest is a golden fragrant jelly – the body juices of the bird – pure, unadulterated, gravy.

A lot of people still have a joint of meat for lunch on Sundays. Anyone can put a joint in the oven, but the ability to make good gravy to go with it is one of the rites of passage of a British cook, such as making shortcrust pastry for pies. The aim of making most things is to win the family's approval, so repetition of a tried formula is the key to success. The trouble is that there is not enough "real" gravy - the juice that drips from roasting meat.

Really affluent and wasteful cooks can try cooking two lots of meat side by side – maybe a *carré* or rack of lamb to eat and a dish of cheaper stewing lamb (scrag-end say) in another dish with a few carrots and onions, not to eat but to yield gravy. In a way it works – it about doubles the amount of gravy – but you still do not have nearly enough.

Most careful cooks have a little gravy routine. The meat is taken out of the baking tray and put on a serving dish. Then all but a scrap of the fat which has run from the meat is tipped off to become dripping. A little flour is dredged into the tin and stirred about with the fat to form a roux. Then one of four kinds of liquid is added to dissolve the meaty residues and form a gravy-sauce. The most basic liquid to be added is some of the water the vegetables were cooked in. I was brought up on potato-water gravy and "basic" was the word for it. Some keen swots make a little stock with a few bones (or giblets if it's a bird). Some use a splash of wine of either colour.

Many use Bisto, which browns, thickens (no flour needed) and seasons (no salt and pepper needed) all in one go. The thing about Bisto, love it or hate it, is that it is an off-the-shelf answer. I have known people so addicted to its powerfully savoury flavour and aroma – Ah! Bisto – that they cannot contemplate meat without it. Some even have it with sausages. Others, including me, find that its pungent flavours of yeast and hydrolised vegetable protein cast a blanket of shop-bought sameness over beef, lamb, pork and chicken.

Gravy ought to vary from one meat to another, not only in its flavour but in its thickness too. I can offer no explanation why thick gravy is fine with lamb but detestable with beef or veal, both of which call for a thin tasty juice, better stretched with a bit of wine than with flour and stock or vegetable water; nobody knows why.

Convention decrees that gravy should be brown, presumably because this shows that a lot of caramelised meat juices have been scraped and stirred into it. Hence gravy browning. Gravy which is a rich uniform brown, like the varnish on a neglected Dutch master, generally indicates the use of gravy browning.

No harm is done: it's only caramel anyway. Convention decrees that game gravies, in particular, should be very dark but the hanging and maturing to which game is subjected

does not of itself produce darkness in the juices.

My wife claims that she could happily live on vegetables if only she could have a bit of gravy on them. This makes her the spiritual sister of African tribespeople who keep herds of cattle – not solely to milk them but to bleed. But that is straying from our subject. None of this explains why the word "gravy" has come to carry such strong associations of luxury – the "gravy train" for example.

This coining comes from the US, of course, where the possibilities of gravy as something more than an adjunct to roast meat have been exuberantly exploited. I mentioned rather starchily that some people have gravy with sausages; Americans have gravy on sandwiches too. The biggest sandwich of my life was put before me in New York when I rushed up to a lunch counter with a plane to catch. This huge turkey sandwich, flanked with chips and salad, was smothered with a rich gravy.

Visiting the southern US states last year, I found that the use of Creole French had extended to this area. Menus in New Orleans describe dishes served with mayonnaise or with *au jus*. Don't mock it: it's what Yorkshire Pudding was invented for.

Peter Lewis

Cookery

A sweet and salty harvest

AFTER THE heavy meat-eating feast of Christmas, when goose, turkey, game birds and joints of pork, beef and ham take pride of place on the menu, I return to fish with special pleasure.

Now is a fine time of year for fishy bounty culled from home waters – providing that the weather is not so foul that fishing is affected. Native oysters, scallops and mussels are superb. Brill is at its best now. Turbot is excellent; so are sole, cod and grey mullet. All are bright-eyed and firm-fleshed when freshly harvested from chilly winter seas.

This is the season for soups-cum-stews bubbling and aromatic with bony fish and shellfish, leeks and potatoes. I have special affection too for fish gently baked in the oven – in a dish or *en papillote*. The latter is more time consuming to prepare but it is undeniably stylish, as each person has the pleasure of unwrapping his or her fragrant parcel at table.

Smoked haddock – the real stuff, not dyed – is a delicious consolation when simply laid in a lightly buttered dish and baked with a drizzle of milk or thin cream, a coarse grinding of black pepper, a pinch of thyme and strips of grilled and peeled sweet red peppers.

Here are other ideas to bring comfort and joy on cold and frosty January evenings. The first recipe comes from *The Fish in My Life*, by George Lassalle (Macmillan 14.95), the second is my own.

Turbot with fennel root & sweet peppers
(serves two)

This is one of some 30 recipes Lassalle gives for cooking *en papillote*, the fish always being cooked in what he calls "a miniature court-bouillon of spices, herbs and aromatic vegetables suited to the particular fish to be cooked." He explains: "The amount of herbs, vegetables and spices specified may appear excessive, but this lavish provision is intentional, my purpose being that from the moment you venture into using these recipes, your kitchen will become redolent of the evergreen thickets of the *maquis* in southern France, which were half the lure of such places as Cap d'Antibes in its days of innocence."

1 lb turbot fillets or small steaks, unskinned; 1 oz butter; 3 tablespoons dry white wine; 1 tablespoon fennel root, chopped; 2 sweet green peppers, seeded and chopped; 3 spring onions, chopped; 2 black peppercorns, crushed; 2 good pinches of salt; ¼ pt water.

Put everything except the fish and the butter into a pan, bring to the boil and simmer for 15 minutes. Pass this mixture through a blender or food processor to make a loose, puree.

Make the fish into two baggy but well-sealed parcels, dividing the butter and the puree between them. Lay the parcels in a pre-heated baking tin and bake at 425 F (220 C) gas mark 7 for 12 to 15 minutes or until the fish is cooked through.

Cod steaks with coriander & almond sauce
(serves four) Snooty cooks who bypass cod as "too ordinary" do themselves a disfavour. When beautifully fresh the flesh is milky-sweet and toothsome. Sometimes I cook fillets of it *en papillote* with slivers of carrot, leek and button mushrooms, the vegetables being lightly pre-cooked in butter and seasoned with salt, pepper, a squeeze of lemon and a splash of white wine. Here is a quicker and less fiddly recipe which I like even better.

4 cod steaks, about 1 inch thick; a small bunch of fresh coriander; 2 oz shelled almonds; ½ oz crustless white bread; 2 garlic cloves, or more for a robust garlic flavour; 2 fl oz olive oil; 1 lemon.

First make the sauce. Blanch the almonds, skin and dry them and whizz them in a food processor until reduced to a coarse powder. (It makes all the difference to flavour if youblanch and grind the nuts freshly at home.) Soak the bread in cold water, squeeze it dry and add it to the processor goblet together with the crushed garlic. Process briefly.

Mix the oil in a cup with little salt, some pepper, a scant one teaspoon lemon juice and four tablespoons water. Pour the mixture into the machine and whizz until the ingredients are blended to a thin creamy puree. Cover and chill for a couple of hours to allow flavours to blend and infuse.

Choose a gratin or baking dish in which the fish steaks will fit snugly side by side. Put into it a teaspoon or two of olive oil, a good squeeze of lemon juice, a pinch of salt and a coarse grinding of black pepper. Tilt and shake the dish to swirl and mix the flavourings.

Put the fish into the dish and turn each steak to moisten it all over with the flavourings. Sprinkle a small spoonful of chopped coriander leaves over the top, cover the dish and leave in a cold place for about an hour to marinate.

When ready to cook, turn the fish over again, then secure a foil lid tightly over the dish. Bake at 400°F (200°C) gas mark 6 until the fish is cooked and the flesh comes away easily from the bone (about 12 minutes).

Check and adjust the seasoning of the sauce to taste and thin it with more oil and/or water as desired. Garnish the fish with a fresh bouquet of green coriander and serve with spinach, boiled or steamed potatoes and the chilled almond sauce.

Philippa Davenport

The Genius of the Place

Hogarth's vision

"IT IS always a writer's duty," said Dr Johnson, "to make the world a better place." Johnson's contemporary, William Hogarth, would not have demurred but in Hogarth's eyes, the moralistic brief belonged equally to artists.

Late 20th-century beings are not prepared for art to be a vehicle for any sort of moral statement, and we may find Hogarth's vision naive. We can more or less understand aesthetes of the higher sort, who believe that you can take an urchin from the margins of criminality and save that urchin by the doctrines of tone, beauty, and perfect form; but that is not Hogarth's line.

Given an urchin from the gutter, Hogarth would waste no time in trying to educate that urchin in the appreciation of Raphael. Hogarth would simply forecast, in memorably graphic detail, what would happen if the urchin evolved into a fully grown blackguard. Petty thieving would sooner or later lead to murder; murder would lead to Tyburn; but not even the gallows would be an end – half-dead, the felon must witness his own entrails being cut out for the benefit of apprentice surgeons.

So! There it is. I find no evidence to suggest that Hogarth relished hell-fire preaching. There is a record of Johnson going to hear Wesley sermonise, but none of Hogarth doing so. Yet Hogarth's pictures remain the best examples of art taking direct action to make the world better. They are well-constructed sermons, and their foundation is pure middle-class morality. It is in keeping with such morality that Hogarth would resent his billing in this column. Genius? "I know of no such thing as genius. Genius is nothing but labour and diligence."

Genius or not, Hogarth prospered. Hogarth's Act, which in 1735 gave artists and engravers the copyright over prints taken from their work, partly ensured his prosperity. A series such as *The Rake's Progress* could make him £1,000 or so. He kept premises in Leicester Fields (Leicester Square as was) and bought himself a rural retreat in Chiswick.

Yes: a rural retreat. Hogarth's Georgian house, now run as a museum by the borough of Hounslow, once looked over fields of wheat. The most unpleasant sight to be had from the triple bay windows would have been Lord Burlington's Palladian villa and its grounds. Burlington was a great patron, and Palladio an Italian classic: since Hogarth detested both aristocratic patronage and Italian classicism, he and Burlington cannot have been cordial neighbours. But now the view from the windows is traffic.

Hogarth's House does not take long to explore. What one would like to find, such as the tombstones he put up for a favourite pug and a pet bullfinch, have gone; but his mulberry tree has survived. One is there to inspect the prints. This is a necessarily grey experience (for painted versions, supplementary visits to the National Gallery and Sir John Soane's museum are wanted): but we are not looking for colour. What late 20th century beings must do is learn to read the pictures. To say that Hogarth fathered caricature is true, but unfair to him, for he drew characters, and to understand their delineation requires lingering inspection of the pictures. See, for example, how in the tavern scene of *Rake's Progress* there is a row of portraits of Roman emperors hanging in the background – of which all have been defaced, save that nice Mr Nero. If characters become caricatures, that is born of the very grossness of their natures. And nowhere is man more bestial than when he is a political animal.

The Rake's Progress: the Gaming House

When writer and artist combine to make the world better, the effect can be powerful. Hogarth and Henry Fielding, the English novelist, worked together to mobilise moral action against cheap gin, and their effort had results. Today, those who take the moral seriously, and so believe that the rejection of Gin Lane implies a stroll down Beer Street, should seek out the nearby George & Devonshire. This hostelry keeps a prize-winning ale called Chiswick Bitter. It is all roast beef and heartiness: Hogarth, who never travelled much beyond Calais, and signed himself "Britophil" in a newspaper letter, would thoroughly approve.

■ Information: *Hogarth's House (Hogarth Lane, off the Great West Road, London W4 2QN) is open daily (except Tuesdays) 11 am - 6pm (October-March, to 4pm) Sundays open at 2 pm. For further details tel 01-994-6757.*

Nigel Spivey

HOW TO SPEND IT

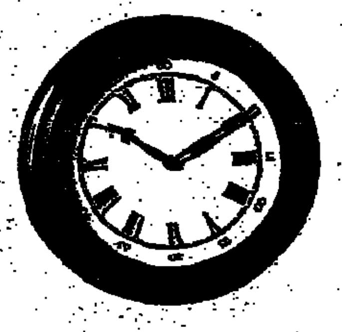
Lucia van der Post welcomes Laura Ashley's 'lifestyle' collection, reviews services for busy execs and advises Hermès fans to buy NOW

Home from home in middle England

EXACTLY A year ago Laura Ashley took the first tentative yet somehow inevitable steps towards providing the complete domestic environment — or lifestyle, if you like — when it launched its first full collection of furniture.

For years its customers had grown accustomed to going to Laura Ashley for a specific look, for its own vision on the fashion and soft furnishings front — its artless sprigged florals and simple stripes and checks, its evocation of Arcadia, long, long ago. Into this world a sofa was introduced, then another . . . and another . . . until finally Laura Ashley did some serious market research, some serious sums, took some serious risks — and launched into furniture proper.

What that first collection offered the customer was the



Tin wall clock, "inspired by the simplicity and easy definition of old railways clocks." Painted dark green and then lacquered, glass-fronted with a battery-operated quartz movement, £29.95.

Two-arm wooden wall lamp, part of a range of dark green and gold wood and metal lighting, £59.95.

chance to round the circle, to *find the sweet iron bedstead*, the strong oak dining furniture, the kitchen chairs that completed the domestic scene.

All its researches had told Laura Ashley that there was a group of people not served by the current furniture market. MFI, Lowndes/Queensway *et al* were too down-market for them, Habitat too young and too makeshift, top-class designer furniture too expensive. These people furnished their houses with hand-me-downs, antiques and finds from the auction houses: nobody seemed to be supplying new furniture for their tastes. It was a market tailor-made for the Laura Ashley team, and so last year Laura Ashley home was launched.

As everybody now knows 1989 was not the best year to launch into the furniture market, but Laura Ashley has *stuck to its brief*, believing that interest rates will one day fall and furniture will once again be on the shopping list. So this week a second, larger and lusher collection is launched, with a larger, lusher catalogue to match. In it, beautifully photographed and imaginatively set out, are all the props that *make up the sort of interior* that the Laura Ashley customer aims for.

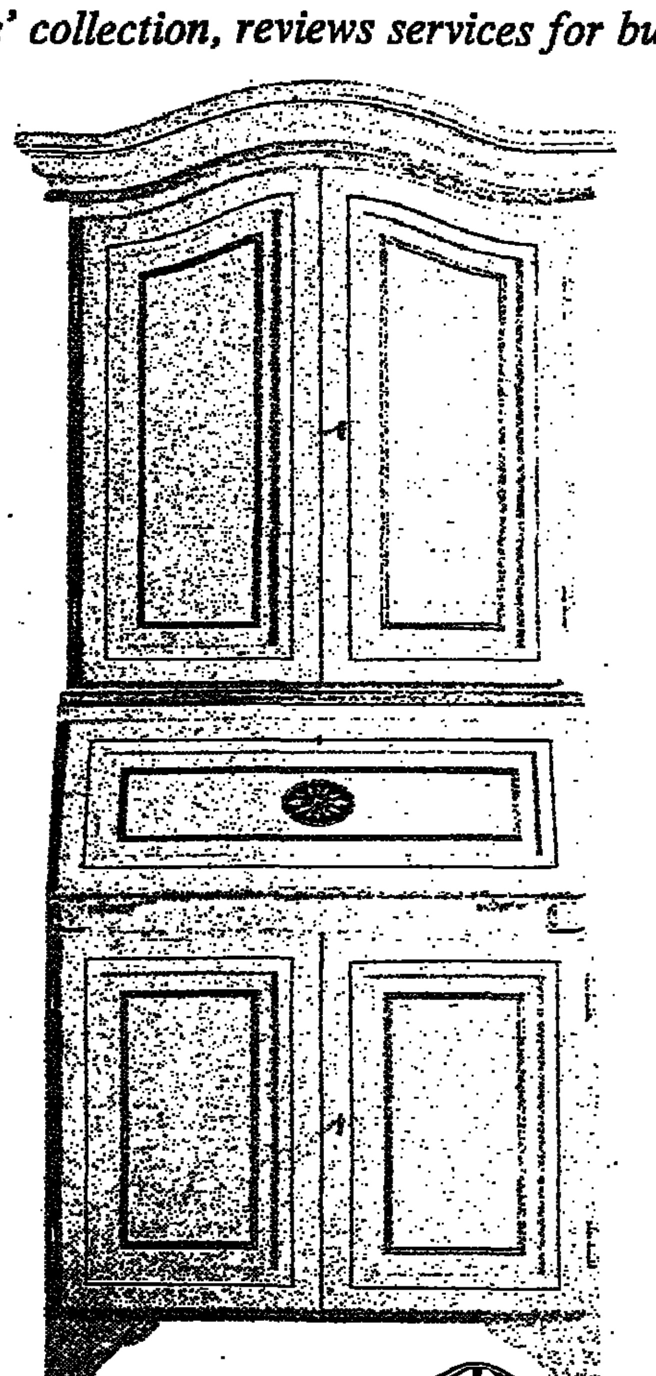
It may not be everybody's scene — some may find it cloyingly sweet, a trifle unadventurous — but it is a clear and consistent vision beautifully brought to life. There is no attempt to cater for minimal*ists and post-modernists, for* neo-classicists and lovers of the baroque — what we have here is furniture and furnishings for mainstream middle England. Almost everything from the catalogue could be quietly eased in to most typical English homes without causing any visual alarm whatever.

Last year saw the *first* cabinet furniture from Laura Ashley — two ranges for the bedroom and dining-room and a selection of occasional furniture. The oak furniture and the iron bedstead were the runaway successes. This year there is much more cabinet furniture on offer — in particular painted furniture, like *the* decorated walnut and beech range (yes, I know Adam and Sheraton got there first but these are respectable interpretations), and the Gustavian collection inspired by 18th century Swedish furniture.

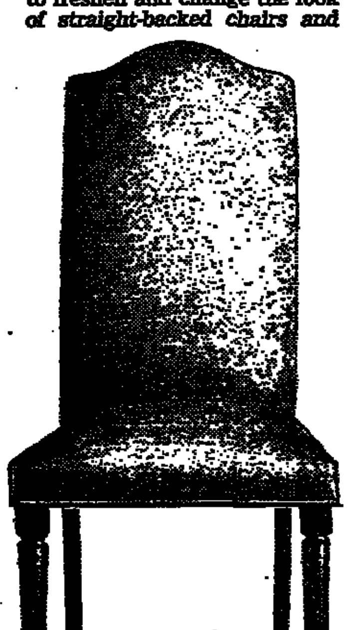
The painted Edwardian furniture, apparently designed by the Laura Ashley team with kitchens in mind, continues and its clean, simple lines are, to my eye, infinitely pleasing.

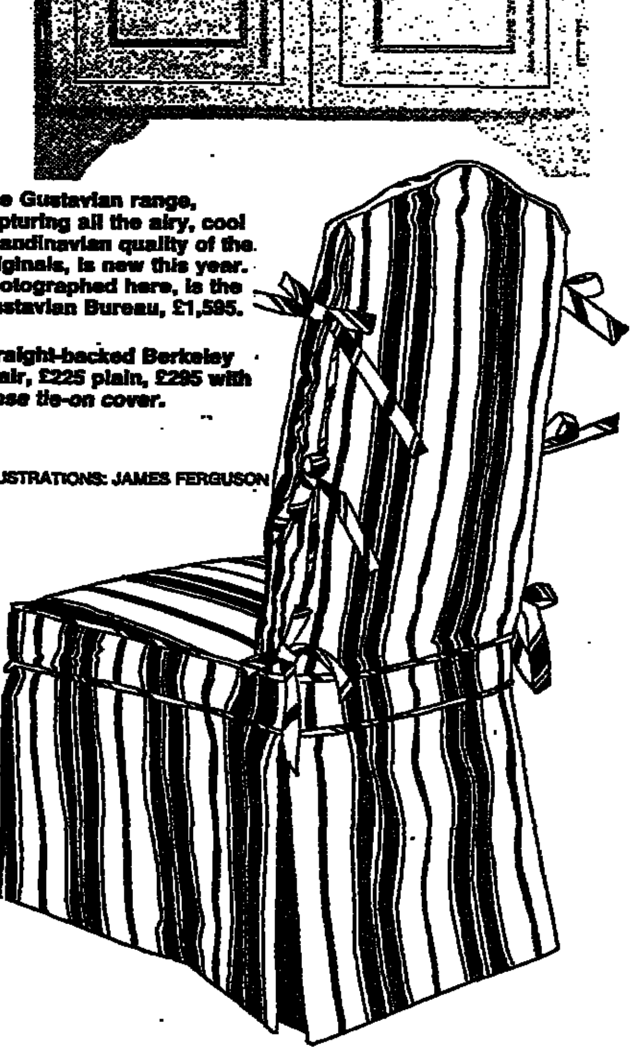
On the upholstered front look out for the Knole sofa (£1,195) adapted from early 17th century upholstered day-beds, with hinged arms which let down to form a day-bed; the Berkeley chair (£225), a straight-backed dining-chair for which loose-covers can be ordered; and the Hadley (£895), a clean-lined two-seater.

The range of soft furnishings and decorative accessories has increased greatly. It seems to me a breakthrough that the sort of designer details that normally can only be got from *specialist interior decorators* are all now available by mail throughout the UK at prices which, though far from cheap, are not out of reach. Things like the crown and hangings which turn an ordinary bedroom into something fit to feature in *House & Garden* magazine, if not *Interiors*; bespoke *ribboned covers for straight*-backed dining chairs (wonderful for giving a seasonal visual change to a room); swags and tails for giving an expensive, interior-designed look to curtains, edgings, and tie-backs; bedlinen and cushions, all finely piped; loose tie-on covers to freshen and change the look *of straight-backed chairs and* sofas.



The Gustavian range, capturing all the airy, cool Scandinavian quality of the originals, is new this year. Photographed here, is the Gustavian Bureau, £1,595.





Straight-backed Berkeley chair, £225 plain, £295 with *loose tie-on cover.*

ILLUSTRATIONS: JAMES FERGUSON

Coronet & Hangings — usually only available from soft furnishing specialists — from £325 to £450, depending upon fabric and size of bed.

Those who feel ill at ease with their own taste but who can't afford designer fees will find the catalogue inspirational. It is filled with so many examples of how to do it and how to mix and match that you would need to be extraordinarily unlucky to end up with a botched look.

Those who need instant accessories will also find them in the catalogue: tapestry cushions at £45 each; sets of framed, rather formal prints (of varying appeal) ranging from £45 upwards; candle lamps (£27.95) with a beech or mahogany base; picture bows (£12.95); and much more. I like the selection of kitchenware, all plain, simple and "inspired by the old-fashioned scullery" — look for copper casseroles and frying-pans, old-fashioned kitchen scales, wooden paper and salt mills and a plain wooden plate rack.

The catalogue costs £3 from Laura Ashley shops or from branches of W.H. Smith and other newsagents. It is in full colour and shows all the colours, patterns and options available. Those who want to *see* the complete range wshould visit one of the large home stores — 7-9 Harriet Street, London SW1 and branches in Windsor, Brighton Marina, Bromley, Chester, Edinburgh and Oxford. A new large Laura Ashley Home store will be opening later in the year in Belfast. The Laura Ashley branches at Sainsbury's Homebase carry the soft furnishings range and can take orders but do not display the cabinet furniture.

Tailor-made tips for the City chap

CITY CHAPS who are pushed for time might like to know about a few services designed to make the acquiring of the appropriate wardrobe a smoother, more enjoyable business.

Gieves & Hawkes — long a dependable name in the *world of establishment* dressing and with two shops in the City, at 18 Lime Street, EC3 and 64 Cannon Street, EC4 — has realised that the way to a busy man's wallet is service. As Mohammed (our poor deskbound city exec) seems to have so much trouble getting to the mountain (in this case, Gieves & Hawkes), it has decided to take the mountain to Mohammed.

In other words, once a customer is on its books a member of staff will come to him with a selected range of suits and accessories, all in his sizes and taste range. For the moment the service is available between 9 am and 5 pm but if anybody has trouble fitting in those hours the shop will do its best to send staff at another time.

Those chaps worried about whether a better class of suit might get them a better class of job should note that Robert Gieves occasionally addresses the staff of various City companies on the subject of dress and the reality of "Power Dressing."

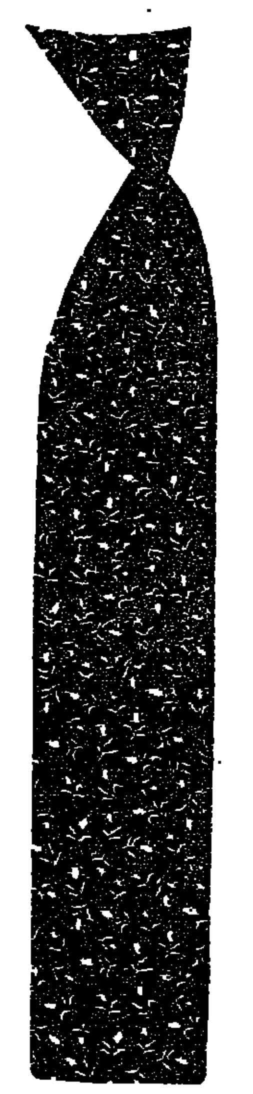
■ If your early mornings start with a desperate search for a clean shirt — *any* shirt - then rest assured you are not alone. So desperate are many young City chaps that Shirt Point, a shirt-laundering service that collects and delivers from City businesses within the Square Mile, is a growing success. Hard-working City high-flyers who work from 7 am to 7 pm can have their dirty shirts collected, laundered, ironed by hand and returned, all without even lifting their heads from their screens.

Most of the big City names — Lazard Brothers, Morgan Grenfell, Cazenove, Goldman Sachs and many more — are visited by William Holt and the rest of the Shirt Point team. Laundering takes two days, regular cotton shirts cost £2.25 a time, silk shirts £4.95, dress shirts from £2.75. There is a minimum order of five shirts a time (a usual week's supply, but if you have fewer you can always pal up with colleagues) and payment can be by cash, cheque or American Express/Visa.

Down-at-heel shoes? Shirt Point will come to the rescue by taking away your scruffy Oxfords and returning them reconditioned with new long leather soles and heels. Shiny suits? Wait until March and then Shirt Point's new dry-cleaning service will be under way. In the meantime, for shirts and shoes ring Shirt Point on 01-928-8687.

■ Those accustomed to stocking up on ties and scarves in the regular Hermés sales should note that from now on they will have to pay full price for them. London Hermés has decided that it only wishes to sell perfect versions of its world-renowned ties and scarves — those with minor flaws such as errors in printing or weaving that used to appear on sales counters with reductions of up to 20 per cent will now be destroyed.

Top, bridal footwear to order from Jessica Mok. Above, rich tapestry shoe from Hanna Goldman.



Are '60s-style Slim Jim ties staging a comeback? For spring Comme des Garcons, 50 Brook Street, London W1 suggests a slim, blunt-ended, black and gold number, £55. Available from January 27 onwards.

If you're addicted to these famous status symbols you should rush and buy them now — full price at the moment is £49 for the ties, £110 for the scarves and prices are due to rise again in March, when ties will be £55 and scarves £120. If you think that that is expensive my researches reveal that Hermés ties are by no means the most expensive in town — Paul Smith sells ties hand-painted by Vicky Holton at £59 each and at Comme des Garcons Japanese chic comes at £55 a time.

■ Looking for some special shoes? Hanna Goldman runs what she calls a "Designer Shoe Boutique" and offers six different shoe designs all made from richly-coloured tapestry. Tapestry shoes cost £55 a pair in standard sizes, made to order they cost £65.

She also does wedding shoes in fabrics of the bride's choice (silk, lace, satin or whatever) and trimmed with pearls, diamanté, ribbons or lace. All wedding shoes are made to order only and prices start at around £90, depending on the design and amount of trimming. Hanna Goldman Designer Shoe Boutique is at 307 Mare Street, London E8. Open Monday to Saturday from 10 am to 6.00 pm.

Jessica Mok works at Studio 27, Cornwell House, 21 Clerkenwell Green, London EC1 4DS (tel 01-251-2479) where *she makes bridal shoes to* order. She makes courts or pumps, will use either her own soft kid-suedes and raw silks, grosgrains and cotton-mixes or the bride's own fabric, and she will make them plain or trimmed with decorative braid, beadwork, tulle, chiffon or satin-lacing. Prices start at £95 a pair.

■ It's one thing being single when you're under 30 and life stretches gloriously ahead — it's quite another when middle-age begins to loom. Those who suddenly find themselves alone say that one of their biggest problems is holidays — other married couples don't invite singles along and they are left with the prospect of joining possibly incompatible unknown groups on packaged tours or facing endless nights eating alone in hotel dining-rooms.

Travel Companions, which attempts to find single people a compatible travelling companion — could be the answer. It has devised a questionnaire that makes sure that, for example, a bowls-player who loves ballroom dancing isn't paired with somebody whose main interests resides in museums and art galleries, that non-smokers who mind about smoking aren't introduced to those who cannot be separated from the weed, and so on.

For a £35 fee you are guaranteed three introductions; after that it is up to you. There is no need to share a room with your Travel Companion but how much they share is up to each couple to decide. Contact Travel Companions for further details at 110 High Mount, Station Road, London NW4 3ST. Tel. 01-202-8478.

Fishing

A prize catch in a glass case

IN MY formative fishing years, I used to buy maggots, floats, hooks and other essentials at the premises of Messrs. Perry and Cox in Reading. Among the shop's numerous attractions was a fine collection of stuffed fish, staring down from the walls in a manner calculated to excite the imagination of any 10-year-old.

The best was a case containing five golden tench, a rare variation in a breed which is normally olive green. I can see them now, gleaming in the gloom, unblinking and immutable, the gold of their flanks flecked with black. They still stir my dreams.

Not many years later Perry and Cox's tackle shop disappeared, and with it the golden tench. *It is a sign of the times* and the soaring market in stuffed fish that the next I saw them — 15 months ago — they were sold at Bonhams for almost £3,000.

Those tench were almost certainly the work of a man regarded by expert judges as the finest taxidermist of recent times, W.B. Griggs. As is the case with many expert craftsman of past days, not much is known of him. It seems that he was earning a living as a taxidermist in East Anglia at the end of 19th century. In the 1920s, he had a business at Thetford, in Norfolk. A little later, he took over the most celebrated fish stuffers of them all, J. Cooper & Sons.

John Cooper had founded this firm in the 1840s. Little more is known of him than his motto — handed on to his son on his death in 1872 — that things done in a hurry are seldom done well.

During Griggs' proprietorship, the premises in Radnor Street, London EC1, were bombed in 1940. Griggs eventually continued his trade at his Hounslow home, but the company appears to have died quietly in the 1950s.

Fred Buller, who is Britain's leading expert on pike and whose quest for knowledge about monster fish has caused him to inspect numberless cases *of stuffed* specimens, remembers Griggs well. He was a funny old boy, a bit touchy perhaps. However, he was without doubt the finest fish taxidermist of his time, and probably any time.

He was an artist, and a complete perfectionist. For example, he would paint Avon roach different from Thames roach, because they are different. But no one else saw it.

In the window of his own tackle and gun shop in Little Chalfont, Buckinghamshire, Buller has on display a beautiful Hampshire Avon roach he caught, which Griggs set up near the end of his long life. Inside the shop is a terrific, dramatic example of his art, a great pike caught as it gorges a sizeable trout.

A case housing two splendid pike, almost certainly by

Griggs, is being offered at auction by Bonhams on Wednesday (January 31). The sale price is estimated at between £5,000 and £8,000.

This may seem extravagant, until you remember that last year a a 39-pound Parrot pike stuffed by a lesser known taxidermist went for more than £4,000.

Unfortunately, human nature being what it is, the market has been invaded by a number of murky and dishonest practices. There have been instances where the labels of reputable firms like Coopers have been photocopied, stained in tea and stuck on inferior cases. Ancient, moth-eaten fish have been removed from their cases and replaced by creations in fibreglass. Another wretched cheat is to replace a damaged bow front with new glass — or even perspex — and pass it off as an original.

It is well to be on guard for such deceptions. Fish, case, label and everything else should be carefully examined, and the auctioneer pressed closely on the provenance.

Let us not dwell, however, on such sordid matters. I would rather raise a glass, perhaps embalming fluid would be appropriate, to Mr Griggs and his art, and scurry down to Bonhams to look at the prize brace of pike and the other 30-odd cases they are selling (not to mention a mass of rods, reels and additional piscatoriana).

I fear I cannot afford the pike, but I am looking out for something more modest. On the shelf beside me, I have a of medium-size, undated roach, with no weight recorded in gilt and no taxidermist's name. My *wife bought it for me some* years ago, and I am fond of it, yet it stares at me with what feels like a hint of reproach. The creature looks lonely, and I would like a companion for it.

Tom Fort

The fight for Amazon gold

JOSE ALTINO Machado, the leader of the Amazon's dirt-poor gold prospectors, gesticulates, grimaces and raises his voice to make one of his favourite points: "Society and its laws are the least important factors in the Amazon! We are occupying the last region on the planet where a man can create his own destiny!"

The prospectors are sweeping across Amazonia in a seemingly unstoppable tide, lured by its fabulously rich deposits of gold, diamonds and even tin. However, Brasilia has now challenged the prospectors. At the beginning of January, the Government sent detachments of federal police to the state of Roraima in the northern Amazon to evict between 20,000 and 40,000 prospectors from the territory of the Yanomami Indians.

The hugely outnumbered police quickly saw the wisdom of negotiating with Machado's prospectors. In a compromise that infuriated the increasingly powerful green movement, the prospectors promised to retreat to three zones close to Yanomami communities, not to abandon the entire region.

Machado is a man the greens love to hate. They revile him as a power-crazed, genocidal, evil genius, driven by a lust for gold. Environmentalists will be pleased to know that the loathing is mutual. The deeply patriotic Machado is enraged by their demonstrations outside Brazilian embassies.

Although his influence in Brasilia has grown immensely, many people in government still mistrust him. Eyes bulging with indignation, Machado exclaims: "The Government thought it could shunt people away from the cities and into the jungle, where they could be forgotten, but it's very happy to see the gold they produce."

With his jokey, back-slapping manner and haggard features, unkempt hair, ratty beard and scruffy clothes, Machado blends in well with the prospectors. However, his patrician origins, wealth and sophistication set him apart.

As we speak in a dark and dingy office at an Amazon airfield, phones ring and the roar of the prospectors' aircraft overwhelm Machado in midflow. He chops at the smoke-laden air as he yells down the phone at the prospectors' Rio de Janeiro lawyer (whose retainer is paid in gold), discussing legal points.

Machado is the scion of an influential family from southern Brazil. A personal tragedy brought the good life to an end 12 years ago, when his daughter drowned. Shattered, he drifted to the Amazon. Now at 47, he has become one of the most influential men in Amazonia. Lucrative gold mines and a fleet of light aircraft have added money and muscle to an innate eloquence and personal authority.

Other leading prospectors (Machado is the first among equals) may also be men of considerable wealth and power, but they lack the skills and political savvy to deal with government and media. He is beholden, however, to dozens of inarticulate prospector barons who have amassed vast fortunes and control the Amazon's best mines. Some are furious that he signed away their "mining rights" in his accord with the Government.

One suitably hard-faced and unlettered baron, known simply as Zezao, is the lord of hundreds of men working a swathe of gold-rich jungle by the Tapajos River that he rules by force of arms. Until Machado taught him otherwise, the monosyllabic Zezao would pull a gun on reporters asking difficult questions.

There may now be more than a million prospectors (although no-one has ever counted them) scattered throughout the Amazon, a region larger than Western Europe. Nine years ago, they numbered only about 250,000.

Based at remote jungle landing strips, where they are sup-

DESPATCHES
Boa Vista

plied by dilapidated light aircraft, the prospectors labour in back-breaking isolation. They have tapped some of the richest mineral reserves in the world and tripled Brazil's gold output in eight years – at the cost of decimating uncomprehending Indian tribes, fouling the ecosystem and challenging the Government's power.

Machado's expansive Brazilian charm is irresistible, in spite of his overbearing manner, reactionary politics and a penchant for flattery. His generosity is legend, as is his wrath. He brooks no disobedience and suffers neither fools nor environmentalists gladly.

He leads a peripatetic existence, popping up in benighted jungle encampments, government buildings, TV studios and conference halls across Brazil to plead the prospectors' cause. He even enlisted the South African Government's support to improve the prospectors' primitive and astonishingly wasteful equipment.

Four years ago, he led a small band of prospectors on an "invasion" of Roraima's mineral-rich but thinly populated Surucucu mountains. The armed forces moved swiftly. They held Machado in solitary confinement and detained his children. The humiliation still brings tears to his eyes.

Now that the prospectors outnumber the army and can muster more aircraft than the air force, the Government must negotiate with Machado. In idle moments, he talks of running for governor of Roraima. In some of his speeches about the "realities" of the Amazon, he unfurls a map of Brazil showing Amazonia separated from the rest.

John Barham

Brandon Gough, of Coopers & Lybrand, Deloitte, with "The Embankment" by Alexander Guy and "Quarterdeck" by Elizabeth Dax

Alan Harper

Art acquisition for canny companies

Antony Thorncroft on the merits of corporate investment in art

IF YOU have time on your hands in Tokyo – and cash in your pocket – you can while away an hour or so queuing to see one of the seven versions of Van Gogh's "Sunflowers." It was bought for a record £24.75m in 1987 at Christie's in London by Yasuda and produced a dazed shock among art market connoisseurs: what conceivably could a Japanese insurance firm want with this most familiar western image?

Well, prestige for a start, acquired cheaply at a time when the yen was strong and interest rates in Japan low. But Yasuda also got a bargain; by charging the public more than £20 each to see "Sunflowers" it has already clawed back 60 per cent of its cost.

In Japan there is no nonsense about art being just a thing of beauty: it should also prove a good investment. Suntory, Toyota, and Fuji, among many companies, run art museums that are open to the public – at a price.

In the US large corporations, especially in the financial area, have built up vast and important art collections over the past 20 years. Chase Manhattan owns more than 10,000 works. AT & T is deeply into contemporary American art, as are Chemical Bank, Amoco, and McDonalds. Citicorp has a large and diverse collection, and Johnson & Johnson, Pepsico, Seagrams, and Standard Oil, are some among the many.

In the UK, however, hardly any companies are buying art for investment, or indeed for any more noble purpose: most boardrooms display nothing more ambitious than a few hunting or topographical prints. Those companies which own collections probably acquired them in the unstructured way that the *Financial Times* has come to possess one of the better groupings of corporate art.

Around 30 years ago, when the chief executive of the FT was Lord Drogheda, a lover of the arts, the company was moving into a new building, Bracken House. A budget of £2,000 a year was set aside to buy the work of modern British artists to decorate the public areas and corridors. After a few years the impetus faded, but today, on an investment of less than £20,000, the FT owns art by some of the most respected names of the 20th century, including William Roberts, Hockney, Carel Weight, Wadsworth, Burra, and Fergusson. In the words of the Antiques Roadshow "they should be insured for at least £300,000."

A few other companies have excellent collections of modern art – Unilever, De Beers, ICI, some City banks like Robert Fleming (which has concentrated, fruitfully, on Scottish artists), and, accountants such as Arthur Andersen and Coopers Lybrand, who answer to partners rather than shareholders. Now there are signs that corporate art collections are reviving. Building up a collection has many positive advantages: its effect on morale; the decoration of mundane office blocks; the opportunities for companies to play the patron; the contribution to modernising the corporate image: and, since the best modern art has appreciated in recent years, investment potential.

Schemes such as Percent for Art, promoted by the Arts Council, are beginning to have an impact. The idea, well rooted in the US and Europe, is that a proportion, of the cost of every new construction built on publicly owned land should be allocated to arts and crafts. More than 30 local authorities, led by Sheffield, are backing the idea. The new Birmingham Convention Centre is being beautified with £800,000 worth of commissioned art, including a £250,000 sculpture by Raymond Mason depicting the Burghers of Birmingham.

Architects, catching the trend, are building niches for art into their designs, and forward-looking developers are liking the ideas, knowing that a striking sculpture or mural can trigger a let.

Stuart Lipton, for example, has invested £1m in sculpture for the public places of his Broadgate Centre, near Liverpool Street Station. Lipton is that rare developer who likes to spend his Saturday mornings touring artists' studios. It was therefore quite easy for one of his Broadgate tenants, Cob Stenham, chief executive of Banker's Trust, to persuade him to commission, for £150,000, two giant murals by the American artist Sol DeWitts to brighten the Banker's Trust reception hall.

If Lipton is a rare aesthetic developer then Stenham is a rare aesthetic businessman. He started an enthusiasm for collecting at his previous employer, Unilever, which now owns more than 300 works by British artists. The purchases continued after his departure: in 1988 Unilever agreed to spend £50,000 over each of the next three years to freshen what has become an important (and valuable) collection.

At Banker's Trust Stenham squeezed a £150,000 budget out of his US parent, which he has invested in 150 works, ranging from inexpensive prints and photographs to more challenging £5,000 oils.

As at Unilever he has had to consider the conservative taste of some of the work force, at all levels, but, by judiciously spreading the art around, the desired stimulating effect has been achieved. The main restraint is not so much financial, as time. Few senior businessmen can afford to spend hours trailing around studios, art schools, and dealers, searching for new talent.

At Unilever, Stenham was advised by the Contemporary Art Society, a charity which is taking advantage of the revived corporate interest in art. It appoints an artist or a critic to work with the company and the fees go towards buying modern art for public galleries, its main function.

The society's great achievement, apart from the Unilever collection, has been supplying art for the Central Selling Organisation of De Beers and for ICI, which, in the process of developing its new Millbank headquarters, has acquired a distinctive visual image.

Developer Stuart Lipton has invested £1m in art for the Broadgate Centre, near Liverpool Street Station, London

This was not done casually. As Denys Henderson, chairman of ICI, says: "From the outset we wanted the function and design of the building to be planned together; and artwork has been an integral part of that design. Our idea was to use paintings and other works of art to enhance the building and to add to the quality of life at work, rather than to create a collection."

The CAS tends to recommend established British artists with secure reputations. So ICI now owns specially commissioned pieces by Bridget Riley and Kate Whiteford, by Patrick Caulfield in the reception area, by Bruce McLean in the atrium, John Hoyland by the lifts, and the late Edward Burra in the dining rooms.

The CAS represents the modern art establishment. It competes with the many specialist consultancies. Many are one man bands who turn a good eye, or a convincing tongue, to profitable use. Coode-Adams Martin is one of the established consultants which places serious art inside companies usually already run by the converted. Art for Offices, the largest company in the field, offers a wholesale service to the less artistically sophisticated.

Coode-Adams Martin has worked for Shearson Lehman, James Capel, Allied Lyons, Reed International and Cooper's Lybrand, which last year won the Most Outstanding Contribution to Art in the Work Place award for its 72-strong collection purchased over four years with a £45,000 budget. Coode-Adams Martin will commission directly from artists. Like most consultants it has to be flexible: when the staff at Coopers objected to a painting showing the the hairy arm of a lorry driver the consultants exchanged it for another work by the same artist. Coode-Adams Martin says that few companies talk about buying for investment. However, it thinks that the Ivon Hitchens it supplied for £3,500 in 1985 must now be worth 10 times that, while a Gillies, acquired by the RAC for £1,600, is now valued at £20,000.

If the CAS offers academic security and Coode Adams-Martin eclectic variety, Art for Offices ranges over the market place. It has a large warehouse near the Tower of London where it displays the work of 600 artists.

Every month it is approached by 50 artists and might take the work of six on spec. Its commission ranges from 10 per cent to 100 per cent. Although its artists might never make the Tate the breadth of its services, with pictures for rent, sale or exchange, and prices from £100 to £50,000, appeals to the company moving offices and anxious to discover what is currently on offer.

Now a company has emerged which does not shy away from the investment potential. Art Advisers is run by an ex-Sotheby's specialist Roberto Faiello and among its advisers are Norman Rosenthal of the Royal Academy and Sir Peter Parker of British Rail, who can offer contacts. It is already working in Japan and hopes to announce two British clients, both developers, who will spend at least £150,000 on art bought by Art Advisers, which takes an agreed fee.

Most collections are still prompted by the enthusiasm of a powerful director, or the challenge of new offices, but there are companies alive to the marketing opportunities that art provides. The 3i Group is in the middle of a programme under which an established artist, first Eduardo Paolozzi, then Bridget Riley, now John Hoyland, is asked to provide an original work which is then harnessed to the company's marketing programme – enlivening the look of the annual report, providing a run of prints as presents for clients, forming the basis of postcards for correspondence. At fees ranging from £5,000 to £25,000 3i gets a strong, developing, corporate image.

This is an obvious focus for corporate collecting. But with works by living artists like de Kooning and Jasper Johns topping £10m at auction, and British artists such as Bacon and Freud now selling for more than £1m, the investment potential can hardly be ignored.

The biggest buyer of contemporary art in the UK has been Saatchi and Saatchi. While the advertising and consultancy fortunes of Saatchi & Saatchi have declined sharply, its art collection – all those Schnabels, Clementes, Kossoffs, etc – has appreciated spectacularly. Almost a fifth of a collection probably worth some £150m is held in the corporate name, not an ignoble sum for wall furnishings.

Paris to Peking – the race is on

Richard Gourlay looks at the revival of a 1907 motor challenge

HAD ANYONE planned a journey linking places that witnessed the last year's most seminal events it would have included much of the route that 87 vehicles will follow this April in a re-run of a 1907 motor challenge between Paris and Peking.

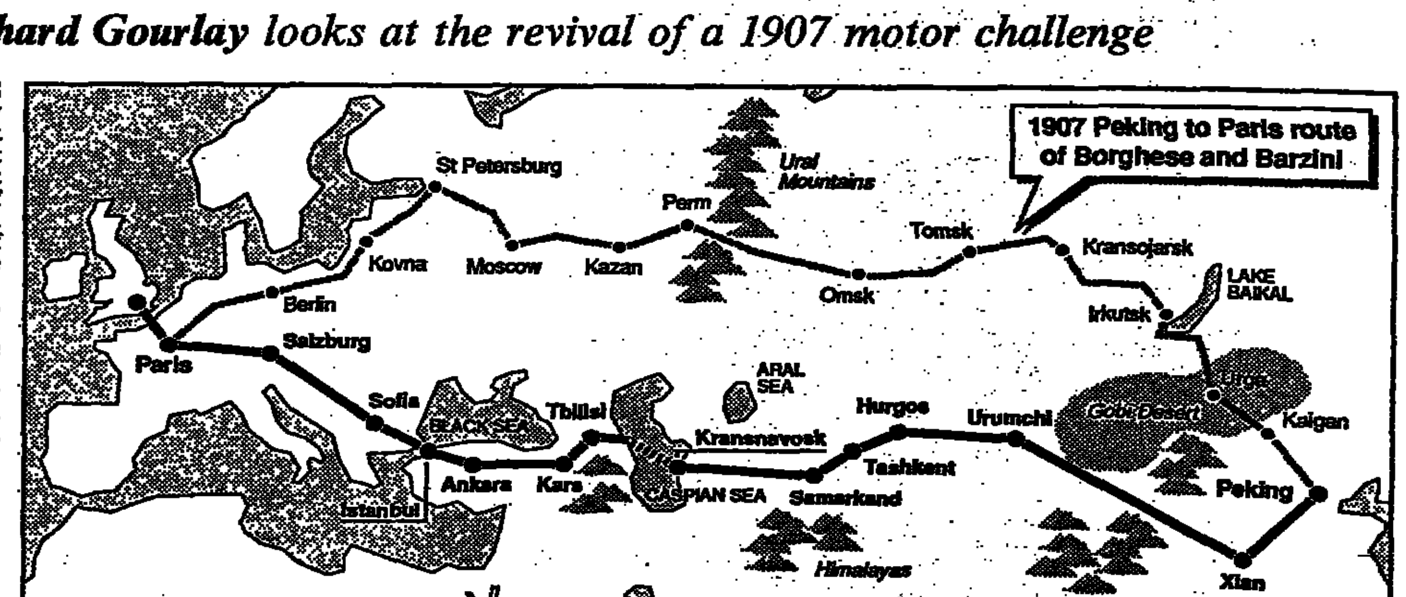
Perhaps the tour has imbibed something of France 200 years ago because the vehicles, ancient and modern, which leave the Arc de Triomphe appear embarked on an 8,300-mile tour of modern revolutions.

After going through Hungary, the caravan passes by Timisoara, where a priest triggered Romania's still incomplete uprising, through Kurdish Turkey and into the Soviet Union's southern Republics, now in a state of virtual civil war between Armenians and Azeris.

Having negotiated the Caspian Sea, the participants have a respite from revolt, passing such evocatively named Uzbec towns as Samarkand and Tashkent before entering China down the Silk Road. They cross the Gobi Desert and arrive almost one year to the day after China's ageing and isolated leaders crushed all hope of reform with its people in Tiananmen Square.

When travel company, Voyages Jules Verne started piecing together approvals for the trip in Peking and Moscow, it simply wanted to stage an epic. But, as Rick, in Casablanca, might have said "of all the journeys through all the towns in all the world, they picked this one."

Managing Director Philip Morrell's plan was to reverse, more or less, the route that Prince Scipione Borghese successfully took in 1907 with his chauffeur and a globe-trotting journalist, Luigi Barzini.



Borghese was something of a rebel against his class. He married for money but eschewing personal luxuries, engrossed himself in socialist politics. He was friendly with Sidney and Beatrice Webb, was elected as Radical Deputy for Parliament and was despatched in 1917 by his government to persuade Kerensky and then Lenin to step up the fighting against Germany. But throughout his life he was an avid climber and adventurer so that when *Le Matin* advertised its Peking to Paris challenge, it seemed tailor-made for him.

For the majority of entrants driving modern vehicles, this event will be more punishing on them than their vehicles. Ideed had a reconnaissance Range Rover suffered more than a cracked windshield and a ripped tyre on what is effectively an extensive road test, there should rightly have been red faces at the Solihull car plant.

It is drivers in the 15 veteran vehicles who will experience most closely what the 1907 participants went through – Borghese in a 35hp Itala, two other drivers in 10 hp Dion-Boutons, oone in a 6 hp, Contal tricycle, and one in a 15 hp Spyker. There is a 1939 War Department standard issue BSA M-20 and sidecar, surely the most audatious 1990 entrant, driven by a classics graduate and a former Grand Prix racer; a 1912 Simplex Lancia Speedster, a stately 1914 Rolls-Royce and a 1960 Morris Minor.

It is their drivers who must develop what Barzini called "a strange colloquy" with their engines, and pay perpetual attention to changes in tone of slapping pistons and yammering cogs. Unable to escape both from the lack of speed and the lack of suspension, their resolve to battle with modern tourism under the banner "Better to travel than to arrive" will be severely tested.

No doubt the giant spiders and scorpions, the swirling dust and the extremes of heat and cold will be much the same. Nor can there possibly be less magic in the perfect silence of a vast and empty desert or in night driving in absolute darkness, described by travellers from Barzini, to Thessiger and Saint Exupery.

But perhaps it is too much to hope that little will have changed; that like Borghese, they will stumble on the fur-covered tents, or yurts, of nomads, or that crossing the Gobi they will be accompanied for a while by galloping Mongolian ponies, whose forebears Genghis Khan road while invading China in the C13.

Unlike the earlier challenge route, Voyages Jules Verne will take the vehicles south, where the five entrants in 1907 went north through Mongolia and Siberia to Moscow and northern Europe. And Morrell has altered the original route in the Caucasus, staying north after Tbilisi to avoid the Azerbaijani capital of Baku, now teaming with Soviet troops and insurgents.

Neither will these drivers have to rely on "coolies" to drag their vehicles over camel paths, and certainly in these sensitive times will not call them coolies if they do. They will actually know the route, rather than have to reconnoitre on horse back or rely on maps supplied by the Russo-Chinese Bank. Fuel will not have to be procured directly by drivers from the Moscow-based House of Nobel, purveyor of petrol direct from the Siberian oil fields – the vehicles will be accompanied by fuel tankers and teams of engineers in support vehicles. One assumes they will not have to do battle with Chinese Mandarins suspicious that these *Chi-cho*, or fuel chariots, like the *Huo-Cho* fire chariots, or railways before, are part of a fiendish western plot to invade from the north.

Since Borghese's journey, revolutions have changed the face of the world immeasurably. But as post-Tiananmen China waits for the Long Marchers to die so that change can resume, there is something eerily contemporary about Barzini depiction of Peking as a city chained to the past by the achievements of an earlier civilisation, by the fear that in moving forward it would lose all it once had.

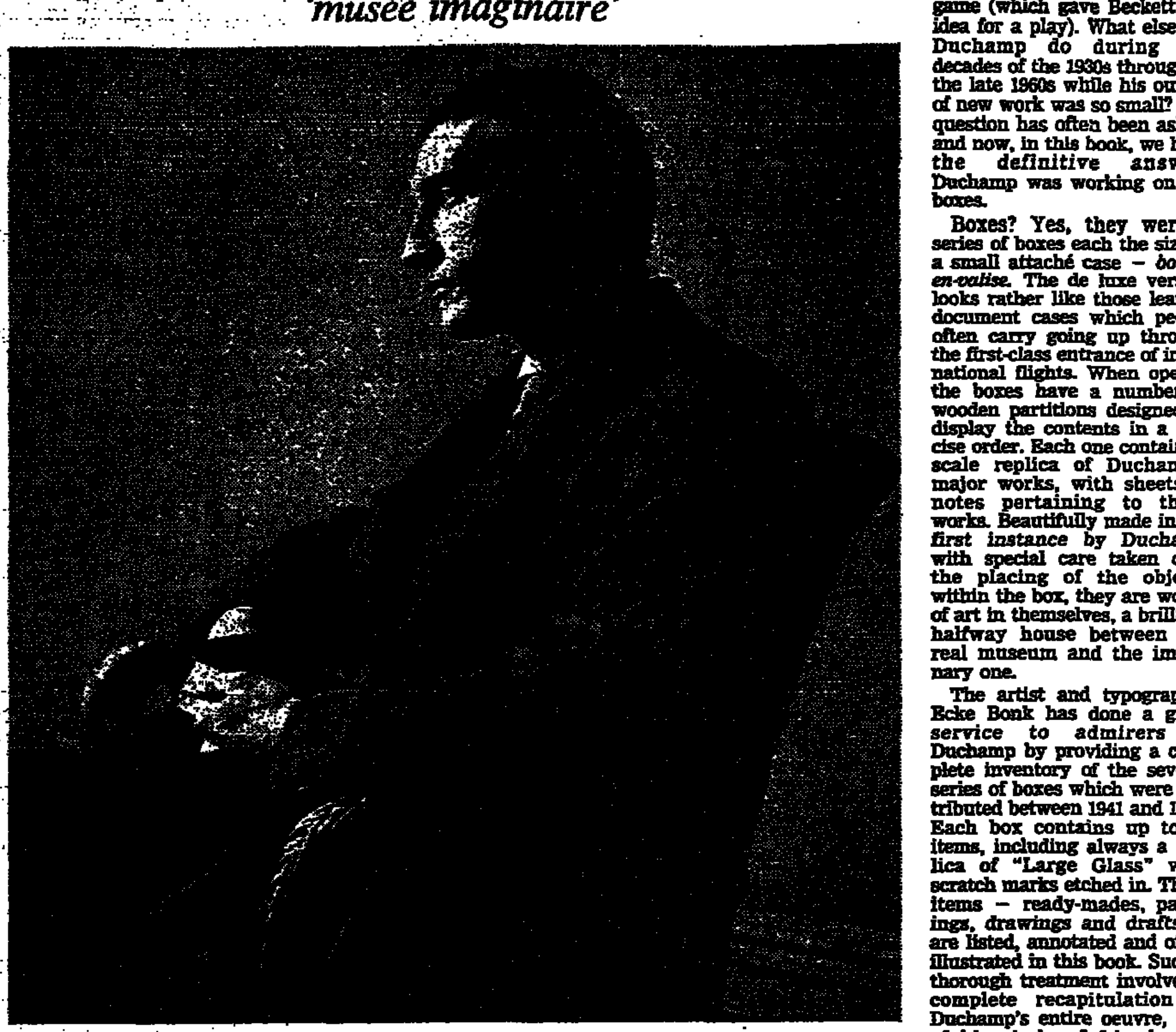
And in 1907 Barzini also seemed to anticipate the power of television, the great communicator that has invaded our lives and, among other places, played a fundamental role in Romania's transition.

As their Itala approached China's Great Wall, Barzini spotted the lines of the telegraph, a distant uncle of television, and wrote later: "Poor ancient wall, the labour and pride of three royal dynasties and some millions of men – it is not by the cannon alone that thou art rendered useless; a thread of wire suffices. The most distant people can quietly commune with one another above thy head, ignoring thy very existence."

BOOKS

The artist who built boxes

Anthony Curtis on the man who furnished the 'musée imaginaire'



Marcel Duchamp, photographed by Man Ray in 1916

FORTY THREE years ago *André Malraux* coined the phrase the "musée imaginaire." The imaginary museum, or museum without walls, is the museum we have inside our heads; it is supplied by the art book industry which enables us to have access to the work of artists whose canvases we have never seen in their original form. This imaginary museum has flourished mightily since Malraux first identified it. The present book on Marcel Duchamp, a peculiarly elusive figure in the modern art movement, perpetuates the imaginary museum, revealing at the same time the extraordinary trouble this artist took to circumvent it.

Duchamp's work is housed in only a few museums. In his lifetime he was a close personal friend of his chief patrons; his work was purchased directly by them, or sometimes simply given to them by the artist. The work which is considered to be his masterpiece, a glass and metal construct of the most demanding complexity, "The Bride Stripped Bare by her Bachelors, Even" (also known as "Large Glass"), belonged to his main benefactor, Walter Arensberg of New York. When he moved to California ownership was transferred to Duchamp's other chief American admirer, Katherine Dreier, in whose Connecticut drawing-room the work stood. Unfortunately it became seriously damaged when in transit from the Brooklyn Museum, where it was first shown publicly in 1926, but subsequently it was skilfully repaired by the artist, the chance cracks incorporating themselves into the design.

MARCEL DUCHAMP: THE PORTABLE MUSEUM
by Ecke Bonk, translated by David Britt
Thames & Hudson £55, 320 pages

Between 1915 and 1940 the Arensbergs collected 40 major Duchamp works. All of them are now in the Philadelphia Museum of Art. Several of Dreier's Duchamps went to the Museum of Modern Art in New York. To see the works properly you either have to visit these museums or wait for a retrospective exhibition. There was one such in Pasadena in 1963 and one in 1966 at the Tate for which Richard Hamilton, England's most committed Duchampian, made a full-scale reconstruction of "Large Glass" with the help of students in the art department of the University of Newcastle.

More recently, in 1986 at the Barbican Gallery in the show "Art and Time" there were a couple of Duchamp's early works, Rotorelies, and the ready-made "Bicycle Wheel" (1913). A ready-made — the concept invented by Duchamp which has had a widespread influence — is an everyday object which the artist promotes to the status of an art work by isolating it and presenting it for exhibition.

Duchamp peaked early. He was still in his 20s when he became exercised by the problem of how to represent movement on a canvas, and he solved this in his astonishing work, "Nude Descending a Staircase." The title echoes a photographic study by Muybridge in which there are separate shots of the nude as she takes each step; in Duchamp's canvas these separate steps have become blurred in one continuous movement — as in those photographs of a golfer's swing, where the pass of the trajectory of the club has been caught, multiply fanning through the ball.

This painting was first exhibited at the Armory Show in 1913 in New York, where it created a riot. Duchamp's sense of conceptual art — art that you have to work at with your mind and not merely subject your eyes to — was greatly in advance of the time. In 1919 he designed a set of chessmen and began to take chess lessons at the Chess Club in Buenos Aires while continuing to work hard at "Large Glass." The Duchamp legend has it that from the 1920s he more or less gave up art for chess. This has been repudiated by his art champions who say that his widely publicised chess career was a front behind which he continued to work at art. In practice, Duchamp probably did not make any distinction between the two.

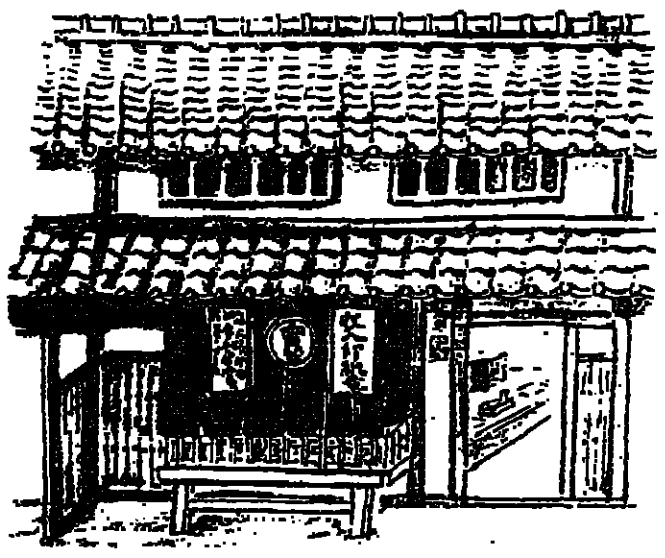
At any rate he became a great chess expert. He played friendly games with his artist pals in Paris, Man Ray the photographer, Samuel Beckett, John Page, and he went on to play competitive chess for the French national team and to co-author a book on the end game (which gave Beckett the idea for a play). What else did Duchamp do during the decades of the 1930s through to the late 1960s while his output of new work was so small? The question has often been asked, and now, in this book, we have the definitive answer: Duchamp was working on his boxes.

Boxes? Yes, they were a series of boxes each the size of a small attaché case — *boites-en-valise*. The de luxe version looks rather like those leather document cases which people often carry going up through the first-class entrance of international flights. When opened the boxes have a number of wooden partitions designed to display the contents in a precise order. Each one contains a scale replica of Duchamp's major works, with sheets of notes pertaining to those works. Beautifully made in the first instance by Duchamp with special care taken over the placing of the objects within the box, they are works of art in themselves, a brilliant halfway house between the real museum and the imaginary one.

The artist and typographer Ecke Bonk has done a great service to admirers of Duchamp by providing a complete inventory of the several series of boxes which were distributed between 1941 and 1971. Each box contains up to 70 items, including always a replica of "Large Glass" with scratch marks etched in. These items — ready-mades, paintings, drawings and drafts — are listed, annotated and often illustrated in this book. Such a thorough treatment involves a complete recapitulation of Duchamp's entire oeuvre, and of his circle of friends, for many of the boxes were designed with a particular individual in mind.

Was such obsessive industry and craftsmanship a form of derangement, *homo ludens* in a state of terminal madness? Or was it the defiantly ironic answer to the entrepreneurial imaginary museum made by one of the supremely creative men of our time? I believe it was the latter, but to answer the question with any certainty we should have to go to Philadelphia in the morning and compare the Duchamp treasures there with the contents of one of the boxes.

Yen for a blue chip



Nomura shoten, the Osaka money-changers shop set up by Tokushichi Nomura, where the financial empire began

HOW MANY people, how many readers of the Financial Times indeed, can name the chief executive of the most profitable financial institution in the world — or can even name the institution? It is a true financial powerhouse. It has assets in custody of \$384bn, or \$110bn more than the assets of the world's biggest bank, and made pretax profits of \$999m last year. An estimated 1,000 of its 15,000 employees worldwide are (dollar) millionaires. For good measure, it is effective king of the Euromarkets and in many months is the biggest single buyer at the US Treasury bond auctions. Yet this institution is much less well-known internationally than most of the supposed blue-blood blue chip financial institutions of the world like Morgan, Citibank, Credit Suisse, Barclays, Salomon, Merrill Lynch.

The answer is Nomura Securities: president — Yoshihisa Tabuchi. It is a measure of the ignorance of the West that Nomura is not a household name like Sony, Toyota or Matsushita. Indeed, the ignorance is the more foolhardy since Nomura is very much the power behind the Japanese political throne, having provided essential financial support for almost every post-war Japanese prime minister.

So Al Alletzhauser's account is welcome and long overdue. He has produced an entertaining, racy story. As a former stockbroker and executive of James Capel and Co in Tokyo, the author knows both the broking business and Japan and has explained everything in clear and simple language.

The end result is by no means a paean to Nomura or piece of corporate puffery. Senior executives on the second floor of Nomura's gloomy redbrick pile in Tokyo's Nihonbashi district may well squirm at some of the revelations of the grubby practices of the Japanese market. Alletzhauser notes that competitors have accused Nomura of "everything from insider trading to murder. The first accusation, as with most Japanese securities firms, is true, but the second most certainly is not."

Japan's is an unequal market. There is a saying that "clients who have one million yen to invest in the stockmarket get eaten alive; clients with ten million yen are allowed to make money once; while those with over a hundred million yen are always allowed to win."

Nomura's history is a recent one, beginning only in the early years of this century when Tokushichi Nomura II made his first killing on the stockmarket and took his father's money changing business (rice into cash) in perilously ambitious new directions. The first 40 years are about Nomura himself, who audaciously moved from a small Osaka shop to create Japan's tenth largest *zaibatsu* (conglomerate) including a bank, insurance concerns, industries and South East Asian plantations and mining interests under its sway. Alletzhauser has had access to the private Nomura family papers and has also talked to the heirs. This fascinating progress is a reminder of just how quickly Meiji Japan modernised and leapt onto the world power stage.

THE HOUSE OF NOMURA
by Al Alletzhauser
Bloomsbury £16.99, 343 pages

More remarkable is the post-war story. The American conquerors ordered the Nomura empire broken up and sold off. The family were no longer actively involved, but Nomura Securities survived and prospered, thanks to two men, Tsunao Okumura and Minoru Segawa. Okumura, "the smiling racoon," had a reputation as a privileged playboy and influence peddler. Segawa was a more hard-nosed man who had pulled himself up by his bootstraps. But in their different ways they were masters, not only of the tough and extremely rough Japanese financial scene, but also of the even dirtier world of politics.

The account is patchier on the post-Segawa years (he retired as president in 1968, and was chairman until 1978). Alletzhauser is excellent on the hard slog of selling, selling, selling, that goes into a salesman who gets on in Nomura. He has good and amusing insights into efforts to turn western graduates into model Nomura men and the failures on Wall Street. But he has little to say about Nomura's successes in London and the Euromarkets.

There are some questionable comments. For instance,a senior official is quoted as saying "Nomura is the Ministry of Finance. We consult them on our every move,and even let them draft legislation".That is an oversimplification. The relations between the bureaucrats and the brokers are not explored here.

Nevertheless, this is a book that is worthwhile, readable reading, not just for financial specialists or businessmen visiting Japan but by anyone in western public life who wants to gain insight into the Japanese economic miracle: such chilling dedication, whether it is selling stocks or buying prime ministers.

Kevin Rafferty

Fiction

Calm and troubled waters

THE DUST jacket of Stuart White's new novel *The Shamrock Boy* includes a credit for the author's make-up, which must be some kind of first in the literary world, but readers need not be unduly alarmed. The author is a hard-boiled journalist by profession, and has written a hard-boiled book, full of short, sharp sentences, paced with the speed of an Armalite on automatic fire.

It is about the Troubles in Northern Ireland. You may feel that you never want to hear about the Troubles ever again, but you would be wrong. This is a cracking good book, conventional enough in plot, but full of insight and pathos, and telling the story from the IRA's point of view — or rather, from the point of view of their long-suffering families.

The Shamrock Boy in question is Dermot McGarvey, a Provo hit man who has killed a couple of British soldiers — and an innocent mother and child — in a terrorist attack intended for maximum TV coverage on Christmas Day. Forced to take refuge with his family for a few hours, he lies to them about his involvement in the killing, lies to his schoolgirl sister, and to the brother who can't get a job because of who Dermot is. He lies to everyone because he is a mad dog, quite out of control, as dangerous to the IRA as he is to the British Army.

Throw in an English sergeant whose son was killed in the attack, and the beautiful daughter of an American senator, anxious to get involved in the Cause, and you have the makings of an excellent thriller in the tradition of *Harry's Game*. The plot takes one or two bizarre turns towards the end — bizarre anywhere else, though not necessarily in Ireland — but the story of betrayal and redemption is grippingly told, with never a word out of place. The climax too is suitably appalling, a reminder that it is the Irish who suffer most from the Troubles, rather than anyone else.

THE SHAMROCK BOY
by Stuart White
Bodley Head £11.95, 233 pages

ON THE RIVER STYX
by Peter Matthiessen
Collins Harvill £10.95, 190 pages

EVENINGS AT MONGINI'S
by Russell Lucas
Heinemann £12.95, 262 pages

THE ALCHEMIST
by Mark Illis
Bloomsbury £13.95, 244 pages

It is a considerable relief to turn from the horrors of Belfast to the calmer waters of the Florida Everglades, the setting for several of the short stories in Peter Matthiessen's *On the River Styx*. The author is best known as a naturalist, but he has drawn on 30 years of fiction for the present collection of stories, all of which are published outside the US for the first time. They range in scope from a runaway negro hunted down by a redneck poacher, to a missionary taunted by prostitutes in Haiti, to a wolf hunter coming to terms with death in the desert country along the Mexican border. Most are about the great outdoors, and all are narrated in the spare, elegant prose of American writing at its best.

Hemingway in particular is a strong influence on Matthiessen, notably in several fishing stories and a Macomberish tale of an unhappy New England couple bickering over whether or not to shoot a helpless turtle. The author writes with an uncompromising masculinity, though with none of Hemingway's excessive machismo. His talents are for atmosphere and characterisation rather than plot, but atmosphere — a vivid evocation of time and place — is ultimately what this kind of writing is all about.

It seems too much to expect another sparkling collection of short stories in the same week, and yet the tales in *Evenings at Mongini's* — a splendid debut by Russell Lucas — are every bit as good as those on the Styx, albeit poles apart. They are set, almost all of them, in the middle class Bombay of the late 1940s, a time and place familiar to the author from his childhood. The British feature occasionally, but most of the stories are about Indians, and mostly about Indians in pursuit of sex.

The Mongini's of the title is a nightclub, where two Indian women enjoy an extra-marital fling with a pair of Russians, while their husbands are away on business. Both are left pregnant, although by whom is never established. They accept their fate cheerfully, as do all the other people in these stories: lepers, lesbians, child prostitutes, pederastic doctors, cuckolded wrestlers, all sorts of weird and wonderful characters. The author treats deserving and undeserving alike with tolerance and good humour. He will need to broaden his range next time out, but for a first effort he could hardly have done any better.

The Alchemist, by Mark Illis, is a second novel by a very young writer, and chronicles the life and times of Billy Gunn, an alert seven-year-old who views the world through alarmingly precocious eyes. Understandably suspicious of adults — his father died in mysterious circumstances, and his mother walked out on him, leaving Billy unwilling to trust anyone ever again — he acquires a consuming interest in magic and magicians and spends much of his time dabbling in alchemy, attempting to turn base metals into gold.

Central to his efforts is J.T.Archer, a malevolent dentist who looks like Ivan the Terrible and keeps pornographic magazines in his waiting room. There is more to Archer than meets the eye, though exactly how much more is not revealed until the last chapter. The author tells the story well, but with a tendency to lose his way on occasion, leaving the impression of a promising writer not yet fully in command of his talents.

Nicholas Best

A despotic do-gooder

OCTAVIA HILL was one of the many Victorian women of high principle whose lives seem, in some ways, ironically at odds with their beliefs. Like other such women, she venerated the family and saw positive virtues in the confinement of women to an existence dominated by domesticity. She herself, however, after decades of organising improved housing for the poor, became so prominent a public figure that by the 1880s "she was asked for her views on almost any social question of national concern."

The activity for which Octavia is now chiefly remembered is her participation in the founding of the National Trust, in 1898. Her interest in conservation was closely linked to her concern for the condition of the urban poor. In its early days, the National Trust was largely concerned with saving tracts of countryside; it did not become associated with stately homes until the late 1930s. Octavia emphasised strongly that she was working to provide the working classes, in particular, with the opportunity to satisfy the common human need for "the sight of sky and of things growing."

Earlier in her career, she had devoted herself to refurbishing London tenement blocks and arranging for their upkeep and administration to be supervised by voluntary workers. The enlightened rich were encouraged to purchase the buildings for these schemes, receiving a return of 5 per cent on their investment — a rate sufficiently high to uphold the principle, voiced by Ruskin, "that proper use of money would give proper interest, and that no one could otherwise than 'criminally' take more."

Ruskin was, in fact, the first of these philanthropically-minded investors. From 1865 to 1866 he bought the poignantly named Paradise Place and Freshwater Place for her to reorganise, in the hope of rescuing the tenants from a life of filth, overcrowding, moral degradation and debt. Since taking over Freshwater Place, she boasted, she had "never allowed a second week's rent to become due."

Octavia's belief in the salutary influence of the countryside was strong enough for her to include the planning of country walks within her conception of the task of housing management. In 1870, for example, she took a group of tenants to Woodford: "we feared, all day, they would wander off to the public-house."

OCTAVIA HILL: A LIFE
by Gillian Darley
Constable £17.95, 399 pages

Recurrent allusions to this particular anxiety demonstrate the degree to which Octavia and her fellows felt it necessary to intervene in the lives of their tenants. Emphasising the necessity for personal contact with the families in refurbished buildings, she defined the role of rent-collector as "a tremendous despotism," but claimed that this despotic authority "is exercised with a view of bringing out the powers of the people, and treating them as responsible for themselves within certain limits."

As an advocate of "independent effort," Octavia was opposed both to the work of existing charities and to any kind of welfare provision by central or local government: "Where a man persistently refuses to exert himself, external help is worse than useless." Her exceptionally uncompromising stance on this question brought her into sharp conflict with Beatrice Webb, who was one of her colleagues on the Royal Commission on the Poor Law in 1905, and even with Charles Booth, who shared her enthusiasm for self-help; despite his view that "loafers," "criminals," and "degraded casual workers" should be sent to labour colonies, Booth was an ardent campaigner for old-age pensions, which Octavia strongly opposed.

Sensibly, Gillian Darley's biography concentrates primarily on Octavia's work, providing a meticulous record of the vast range of different ventures in which she involved herself. The vicissitudes of her emotional life are never explored in any great detail: her brief engagement to Edward Bond, which was broken off after opposition from his mother, is treated coolly and concisely. In examining Octavia's personality, Darley focuses on those qualities which were of greatest relevance to her work, such as her interest in practice rather than theory, and her tendency to become, as her friend Henrietta Barnett put it, "dictatorial in manner."

One of the merits of this book is its timeliness. Despite the harshness of many of Octavia Hill's attitudes, it is difficult not to applaud her attempts to alleviate those social evils of poverty and squalor which have enjoyed so spectacular a resurgence over the last ten years.

Chloe Chard

ARTS

Prospects: guaranteed criticism

*As Terry Hands plans his final season, **Antony Thorncroft** looks at the problems facing the RSC*

"Wanted: man or woman to take over ailing business. Staff: opinionated transients. Premises; oppressive dungeons. Prospects; guaranteed criticism. Pay: well below comparable rewards in private sector."

This is roughly the prospectus for the contenders for the job of artistic director of the Royal Shakespeare Company. It is no surprise that the Governors of the RSC are finding it hard to appoint a successor to Terry Hands, who quits in the summer of 1991. An announcement was expected before Christmas; then it was rescheduled for mid January. Now it will be at least February before the new team is named. It needs to be in position by April to plan a 1991 programme.

The most obvious candidate in a company which worships its esprit de corps is an insider, Adrian Noble. His known antipathy towards the Barbican, the RSC's London home, might rule him out. Another RSC associate director, John Caird, is reckoned a safe pair of hands on the artistic side if linked with an enterprising organisation man, like Michael Attenborough, an outsider who has run theatres at Watford and Hampstead. The twin track approach seems to be working well at the National Theatre where Richard Eyre concentrates on programming, leaving David Aukin to worry about the money.

The daunting task facing whoever gets the Governors' vote was spelt out this week by Terry Hands. By the end of this financial year in March the RSC will have accumulated debts of £2.5m. In 1990 the financial brakes will be full on, with the number of productions cut to 19, as against over 40 in 1987. The company has been reduced to 65 (it has approached a hundred in the recent past) and only four theatres will be occupied, as against six, three years ago.

The Arts Council has raised the RSC's 1990-91 grant by a generous 11 per cent, to £6m. "This is a wonderful first step but if it just a one-off we will be in trouble soon," says Terry Hands. It is very unlikely that the Council will manage a comparable second step next year. This avenue of rescue is closed.

The same goes for the City Fathers, who have slowly come to love the theatrical company in their midst in the Barbican, but who, after finding an extra £1m to bail it out of its last financial crisis, will be reluctant to repeat the trick. The RSC will have to look to its own resources to get back into the black.

It is pinning its hopes on the economies that follow from a smaller company and fewer new productions, and from hitting its box office targets. In 1989 there were disappointments both in London and Stratford and the aim of 80 per cent capacity at the two main houses fell short at each by 10 per cent, which accounts for most of the 1989-90 £1m deficit. The RSC will move towards the policy adopted by the National Theatre for its Lyttelton stage – dropping the repertory system in favour of successful plays which it can present for straight runs. Any box office failure will be quickly pulled from the schedule, as was the case last year at the RSC with *The Man Who Came to Dinner*.

Terry Hands: the RSC Governors are finding it hard to appoint a successor

The financial problems at the RSC suggest that Terry Hands might need two successors, one to look after the pennies, the other the actors – who can pose almost as much of a problem. Last year, at the behest of the actors, the RSC introduced short, six month, contracts, mainly to attract the bigger names who were reluctant to commit themselves to the RSC (and to its comparatively low wages) for too long, and thus lose out on lucrative TV and film work. Now the actors have changed their stance: they miss the old RSC company atmosphere, which tied them in as a happy band of brothers for an extended sentence. So in 1990-91 actors will be invited to give eighteen months of their lives to the company.

Terry Hands hopes that the strains from prolonged propinquity will let him off the creative hook: he envisages groups of actors, desperate for a fresh challenge, starting to present plays in church halls and rustic barns around Stratford, thus widening the range of the RSC's work.

As for the premises: the RSC still has about 17 years to go of a generous lease at the Barbican which gives it running costs well below any it would have to pay in a more cosy West End theatre. Adrian Noble's known dislike of the place, shared by many actors, might be lessened if the City agrees to carry out modernisation work, bringing air conditioning to those rooms deep underground where the actors spend much of their lives. Ambitions to work elsewhere could be met by transfers – after all two of the RSC's productions are still playing in the West End: *Les Misérables*, which earns it over £1m a year, and *Les Liaisons Dangereuses*, which contributes a tiny sum.

The other liabilities in the job – constant sniping from critics and lack of pay – can be linked: Terry Hands predecessor, Trevor Nunn, was most roundly criticised for the extra fees he took from directing *Les Misérables*, and now this opportunity to boost the salary has been much curtailed.

Lucrative transfers are still the easiest way for the RSC to balance its corporate books. For 1990 the £700,000 musical, *Children of Eden*, by Stephen Schwartz, who did well with *Godspell*, is the main hope. It is a co-production with Upstart, with the RSC supplying half the cost but largely protected if the show is a failure. It will give it a straight run at the Barbican for eight weeks over Christmas and then, ideally, manage a profitable transfer.

Terry Hands successor(s) cannot rely on such a happy outcome. Nor can he rely on Terry Hands' faith in the 1990s as a decade in which quality of life will dominate the Government's thinking and spending, "and green and culture go hand in hand." Radical proposals regarding the theatres, the programming, and the staffing will be needed to enable the RSC to plan ahead without constant interference from the accountants. Ideas being floated this week – like hoping that the RSC Governors can raise large sums through covenants and endowment schemes – hardly touch the basic financial problem, one the RSC shares with all the other national arts companies.

New York Saleroom

Commitment to style

English furniture is the smart thing to buy, says Homan Potterton

ENGLISH FURNITURE has always been popular in the US but in the past few years prices for really good pieces have escalated dramatically. In its "Important English Furniture" sale on January 27, Christie's New York has a number of items which demonstrates the point. These once belonged to Mr and Mrs Jack Dick whose collection was sold in 1975. Included is a Queen Anne walnut bureau-cabinet that is estimated at $150,000-$200,000: it went for $28,000 in 1975. A Regency mahogany Carlton House desk with the same provenance is estimated at $100,000-$150,000: it sold for $36,000 in 1975.

In spite of these indications, however, it seems that it will still be some time before any piece of English furniture fetches as much as the $12.1m that was paid last year for an 18th century American secretaire – the Nicholas Brown desk. This was the highest price ever paid for a decorative art object of any country.

Long before the Americans appreciated their own superb Chippendale-inspired furniture, they collected robust English furniture of the 18th century. Traditionally Queen Anne walnut and mid-Georgian mahogany was most favoured, but lacquered or japanned pieces too have always been popular. But today, in what dealer Chris Jussel describes as "an awfully healthy market," American collectors have become more diverse in their interests.

Robert Israel of the Kentshire Galleries finds that good Sheraton and Hepplewhite is now much sought after and his view that taste is tending towards more refined pieces is shared by Edward Herguth of the Doyle Galleries, who points out that Regency furniture is now the strongest market.

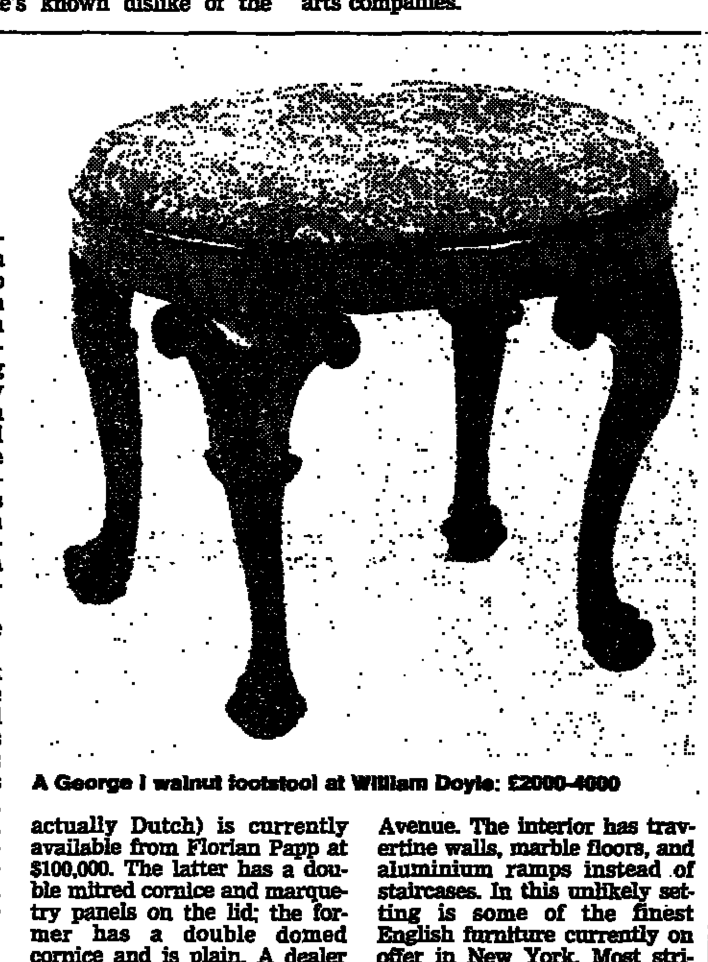
At Sotheby's New York sale of English furniture last December the top price of $176,000 was paid for a late 18th century inlaid mahogany oval library table. The table was distinguished by its plainness. By contrast, in the same sale, an almost unique gothic giltwood table with a scagliola top, which was bought by Lord Cloncurry in Italy about 1800, failed to reach its reserve of $120,000.

Mindy Papp defines American enthusiasm for English furniture as "commitment to style" over and above such other considerations as a named maker, provenance, rarity or even condition. Pointing to a small mid-18th Century mahogany pie-crust table in her shop which is priced "expensively" at $50,000, she identifies it as her most saleable item. Why? Because it is expensive and because its form is very beautiful. Edward Herguth puts it succinctly when he says that "a London furniture dealer's is antiquarian – a New York one, the epitome of stylishness."

So where does the New York collector of English furniture shop? Both Sotheby's and Christie's hold about two sales annually but of late the sales at the William Doyle Galleries have attracted great interest. These are mixed options with furniture, furnishings and decorative arts and they take place every two to three weeks. Doyle's specialise in estate sales so that many of their lots are fresh on the market. A large consignment of good English furniture in their sale on January 24 comes from a collection that was formed over the past 20 years. Included is a superb Queen Anne bevelled-glass girandole and a pair of Regency oak and ebony inlaid demi-lune sidetables in the gothic taste.

For the uninitiated, buying furniture at auction can, however, be risky as old furniture is, almost by definition, always damaged. The auction houses guarantee very little; estimates more often reflect the seller's reserve rather than the actual value; and, as auctions are now so popular, it is by no means certain that items there will be cheaper than at a dealer's.

The Queen Anne bureau-cabinet at Christie's (est. $150,000-$200,000) next week is a case in point. It is a superb example but a similar bureau (although actually Dutch) is currently available from Florian Papp at $100,000. The latter has a double mitred cornice and marquetry panels on the lid; the former has a double domed cornice and is plain. A dealer like Mindy Papp (who "rarely" expects William and Mary ball feet to be original and Georgian bracket feet only "seldom") will generally tell a client all "the bad news" about any particular item so it can be more comforting to buy furniture from such a source.

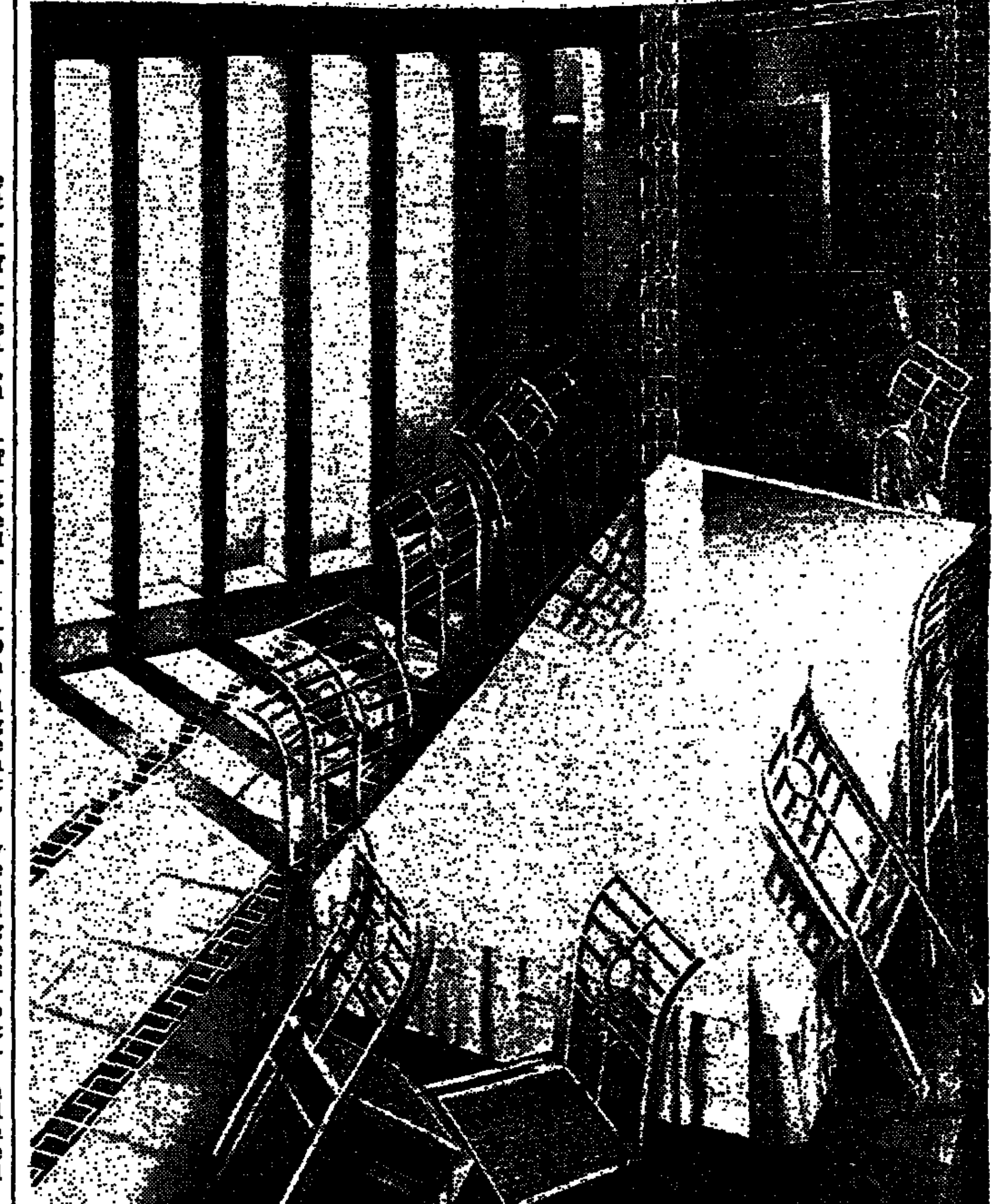


A George I walnut footstool at William Doyle: £2000-4000

In New York there are a number of specialist dealers. In Lower Manhattan, Hyde Park Antiques, Philip Colleck, and the Kentshire Galleries all have several floors of stock. Robert Israel, who describes his shop (Kentshire) as "something between a warehouse and Mallett's" has a pair of beautiful 18th century gilt pier-glasses at the moment, each with their original plates and guilding.

Uptown, French & Co. discreetly occupies an extraordinary neo-brutalist pink granite house on 65th St. at Madison Avenue. The interior has travertine walls, marble floors, and aluminium ramps instead of staircases. In this unlikely setting is some of the finest English furniture currently on offer in New York. Most striking is a marquetry commode with ormolu mounts dating from about 1760. This is by Pierre Langlois, one of six such pieces, four of which are in the Royal Collection with the fifth at the Huntington Museum in California. A Langlois commode went for $880,000 at the Von Bulow sale last year – a price that was regarded as relatively cheap.

Near French's are Stair & Co. and also Vernay & Jussel and it is in the latter emporium that one will find the most unusual piece of English furniture available today in New York. This is a mahogany baby-cage or walker dating from about 1730. It has glorious cabriole legs and claw-and-ball feet that run on casters. What is more it is inlaid with the crest of the Plantagenets. Who would deny that New York is a city of choices?



'Without Barbarians' by Deanna Petherbridge; ink & wash on paper

A journey through sinister spaces

William Packer on Deanna Petherbridge's latest work

DEANNA Petherbridge (at Fischer Fine Art, 30 King Street, SW1: until February 16) is a most distinctive artist, her work quite unlike that of anyone else. She works in monochrome, in ink and watercolour on paper, on a large though not exceptional scale. The technical problem she faces lies in sustaining the force and presence of the mark and surface on such a scale, and in manipulating space and image convincingly.

In the past she has managed this by maintaining a severe and taut graphic discipline, the drawing hard and straight edged, the painting, such as it is, direct and uninflected. With these latest works it seems she has relaxed a little, allowing a certain softness and openness in the drawing and handling to creep in, but these remain, nevertheless, powerful, confident and immediately striking images.

The spaces she contrives are as remarkable as ever, not at all descriptive in any literal sense, but conjured out of the imagination, now flattened, now twisted, now vertiginous, always theatrical. Piranesi inevitably stands high in a pantheon of heroes set in the great tradition of architectural drawing, invention and capriccio. Her work has often called to my mind, at least, not so much the "carceri" of Piranesi as images of the citadels, siege works and defences, with their saps, defiles and re-entries, that so engaged the post-renaissance military imagination.

But, to invert an old friend, "plus c'est la même chose, plus ça change:" familiar as it is, her work is now much changed. Now the spaces are exclusively interior and institutional, redolent of office, tenement, hospital ward, lecture hall or church. It is not by chance that such interiors are neither passive nor neutral but insidiously active. All carry an overbearing sense, if not of actual oppression, at least of the potential imposition, or acceptance of authority. "Themata" is the title Ms Petherbridge gives to this collection and, under such particular titles as "Judgement against Rushdie," "Communion," "Without Barbarians" or "Walled around by Other's Vociferations," the subjects are indeed fraught with just such sinister implication.

It follows that the work bears a close literary reading, and it would be easy to take it as no more than illustration of personal polemic. Indeed, a fulsome catalogue note by Katy Deepwell does just that, fixing upon what she sees as the artist's long-standing preoccupation with "the exploration of the structures of power and repression, whether perpetrated by the State, capitalism, or organised religion." Of one of the works, "Landscapes of Desire," she speaks of its "... gendered space, one in which only men sit and deal in business, in politics. Outside this clean space, the labourers extend the metropolitan blight into the surrounding countryside." It is perhaps too easy to mock. Certainly Ms Petherbridge makes no secret in her work of her feminist convictions, nor the strength of her feelings against apartheid in her native South Africa and racialism in general. Her fine principles do her credit, but we must only remember that it is in the mark on the surface that the work's quality as art is to be found.

Where the space is left ambiguous in its emptiness, as in "Naos," which is a temple's inner sanctum, these images still work as well in formal terms and powerfully upon the imagination as in the past. But this is also a body of work that is clearly transitional, with ideas and elements introduced but not yet resolved. Ms Petherbridge's great decision has been at last to bring the human figure into her imaginative world as an animating presence, with all its potency of symbolism and its feet of clay. For the test for any artist in work of this kind lies in successfully establishing a pictorial convention for the figure that is both personal and convincing.

With the figure, more than with representation of any other kind, we have an instinctive, literal expectation that the figure ring true. Unfortunately, here the figures do not, being neither well drawn in terms of objective observation, nor convincing in their stylisation. And through being weak in themselves, they cast doubt upon the conventional liberties Miss Petherbridge takes with space and form at large, which is unfair but inevitable. It is a brave thing to move so far so fast, and there are bound to be a few stumbles and false steps. Miss Petherbridge is too true an artist not to pick herself up and go on.

Records

Taking ballet music seriously

Swan Lake (3CDs) ROH301/3; The Nutcracker (2 CDs) ROH 304/5 Conifer Records

Decadence may afflict the Royal Ballet, but not in every respect. Since the early 1980s, there have been major efforts to improve the standard of conducting and playing that supports its dancing. These new recordings, among their other merits, are a determined public gesture from the Royal Opera House: "Look, we *do* care about ballet music, and we care that it is played well." But the improvements have come, not from resident ballet conductors, but in an increase of distinguished guest conductors – of whom Bernard Haitink, especially in three Stravinsky ballets, and Gennady Rozhdestvensky in *The Nutcracker*, have provided the most glorious fare of all.

Mark Ermler, who conducts these two sets, is now the company's Principal Guest Conductor. But let no one think these recordings testify to how things sound at Covent Garden. For one thing, Ermler hasn't conducted *The Nutcracker* there; and, at the time of this recording, the orchestra hadn't played that score for well over two years. And the *Swan Lake*? Well, the pictures of Sylvie Guillem and the Swan Corps on the cover and the inadequate documentation inside all encourage you to assume that this *Swan Lake* is the sound track of the ballet as conducted – by Ermler and others – at Covent Garden. Not so, however. Like every *Swan Lake* recording I've heard, this is of Chaikovsky's original Moscow 1877 text, which is very seldom used for ballet performance and which was probably never given in its entirety during the composer's lifetime.

The musical text used at Covent Garden in the current 1987 production is that of the 1895 St Petersburg production, to which chaikovsky probably contributed some ideas before his death in 1893. The differences are even greater than those between the various texts of, say, Verdi's *Don Carlos*. The 1895 version cut about a third of the 1877 score; it added three items from Chaikovsky's 1893 Op. 72 set of piano pieces as orchestrated by Riccardo Drigo; and it made drastic nips, tucks and re-orderings. The 1877 score, which has been recorded many times now, is authentic Chaikovsky, yet it isn't theatrically viable. What I and many ballet-goers have long needed for our shelves is the 1895 text – as given today at Covent Garden or the Kirov. It's absurd. Companies have recorded the ballet-soundtrack musical-hotchpotch scores of *The Dream* (Mendelssohn-Lanchbery), *Manon* (Massenet-Lucas), *A Month in the Country* (Chopin-Lanchbery) – but not the 1895 *Swan Lake* (Chaikovisky-Drigo). I've heard Odile's variation over a hundred times in the theatre, but the only recording I can find of it is Chaikovsky's piano original ("L'Espiegle"), not the Drigo orchestral arrangement that's used in 19 versions of the ballet out of 20

"But how did you enjoy the CDs, Mrs Lincoln?" Well, as always, the 1877 score is an occasion to contemplate the ballet in Chaikovsky's mind. And I contemplate it with mixed feelings. At one extreme, there's the brassily trite coarseness of his writing for the codas of dance suites. At the other, there's the hugeness of his love-and-destiny romance that reaches its most unstageable peak in the Act 3 pas de six's second variation. In either case, the composer's grasp of ballet was far less mature than his mastery of opera in the 1878 *Eugene Onegin*. It's a ballet in the head, and the recording engineers here have made it more so. The acoustic is wholly untheatrical. When in mid-variation the sound changes, it's more striking that it switches from right to left than that Chaikovsky has changed his solo instruments. None the less, what luminous sound. The sheen on the strings is particularly bright. You notice their excitingly crystalline passage work in Act 1's opening scene, and their discreet portamenti in melodic lines.

Ermler stands to the Chaikovsky ballets roughly as Muti and Sinopoli to Italian opera. He has re-scrubbed the score, and he has emphasised its expressive details: such as the tear-laden phrasing of the solo violin (John Brown, orchestra leader) and cello in the famous Act 2 adagio and the urgent contribution of the strings behind the brass in that sublime second variation of the Act 3 pas de six. You hear panache, drama, telling detail, throughout. But Ermler's rhythm doesn't quite make phrases dance out of your speakers – as, say, his Bolshoy predecessor Yuri Fayer's does on an old Melodiya recording. And am I alone in thinking that this score reaches new altitudes only with Russian strings? The Covent Garden violin sound is pure but relatively lean.

The score of *The Nutcracker* is altogether more theatrical, and this recording acknowledges that with less artificial, although less all-revealing, sound. Ermler, however, shows the same tendencies. He illumines new details – the strange tinklings of the harp as the Christmas tree begins to grow – and he shows his sense of the score's diverse range. But the party doesn't quite glow, and the dances don't have real brio. The Sforzande attack with which the strings, led here by Hugh Maguire, enter big phrases, like the Act 2 adagio, is achieved like a scoop, albeit vivid.

I'm judging this recording, admittedly, by the highest standards – standards set in recent years at Covent Garden by Gennady Rozhdestvensky, who can be heard not only on a 1962 Melodiya recording but also on the 1984 Covent Garden video (where the Mère Gigogne dance is omitted). People used to buy Lower Slip tickets for his *Nutcrackers* so as to concentrate on the pit and ignore the stage. Though his tempi are usually much faster, his phrasing seems to have more inner breath. To return to his *Nutcracker* after Ermler's is like moving from Giulini's *Falstaff* to Toscanini's – which is to say, like coming home.

Alastair Macaulay

For the first time in 40 years musicians can speak openly about the corruption which pervaded Czech musical life under Communist rule

Counting the cost of democracy

FOR MORE than 20 years the dissident composer Jan Klusak was persecuted by Czechoslovakia's Communist authorities; now his music is suddenly being played again, and he has been appointed music adviser to the new Minister of Culture.

The Prague Symphony Orchestra had to submit its choice of repertoire and interpreters to a set of rigid ideological controls imposed by Communist Party officials; now it is planning concerts with emigre Czech conductors who were previously persona non grata in the country of their birth.

The state concert agency Pragoconcert prevented Dalibor Jedlicka, the operatic bass, from taking up important foreign invitations, because he was one of the few members of the National Theatre ensemble not to hold party membership: Jedlicka has just been appointed opera director in Prague.

Music has played an important part in Czechoslovakia's peaceful revolution. A month before the suppression of the November 17 demonstration in Prague, the country's leading conductor and orchestra – Vaclav Neumann and the Czech Philharmonic – made public their disquiet over the persecution of musicians who had signed pro-democracy petitions: they were the first state institution to voice open protest.

During the three-week theatre strike in November and December, when public concerts were cancelled, musicians took part in improvised performances to help spread word of the revolution. A week after locking the doors of the National Theatre to prevent public debates taking place inside, the staunch Communist composer Jiri Pauer was sacked from his post as the theatre's director.

As in all other walks of life, Czech musicians are trying to adapt to new circumstances. After the euphoria of the revolution, the taste of freedom is bewildering: awkward decisions have to be made, new structures must be found and economic realities faced. For the first time in 40 years, musicians are speaking openly about the corruption and ideological distortions which pervaded Czech musical life under Communist rule.

The nerve-centre for party control was the Union of Composers, a highly politicised umbrella organisation for composers and performers, popular and classical music, controlled by a narrow clique of hard line Communists.

The composers on the 58-member praesidium had priority over first-time performances given each season by the country's principal concert organisations. They monopolised the top appointments in music institutions, even if there were better-qualified non-party candidates. They dominated the state awards system, which influenced the way royalties were calculated and the amount of foreign currency a composer or performer could keep. They controlled the publication of scores and recordings of new music, and supervised the points system by which payment was decided: a political title, like Ladislav Kubik's *Diary of a Viet Nam Woman*, was guaranteed to earn more points.

Like the Communist Party Central Committee itself, the Union of Composers was a self-perpetuating oligarchy, the priorities of which were determined not by artistic quality but by loyalty to the Party.

Most composers who went along with the system had little difficulty getting their music published, albeit in meagre quantities. But there were some – especially those unafraid to speak out – whose music was simply not performed. The late Miloslav Kabelac, whose works were taken around the world by the Percussionists of Strasbourg, was ignored in his own country.

According to Petr Eben, one of Czechoslovakia's most internationally renowned composers and a non-party member of the Union, "it was clear that the Party had the ruling role, that there were close connections between Union officials and the Party Central Committee. Anything experimental or avant-garde was frowned on – unless you were someone like Vaclav Kucera, a former Secretary of the Union, who had studied in the Soviet Union. He composed serial and electronic music, but because he had studied in Moscow, it was impossible to criticise."

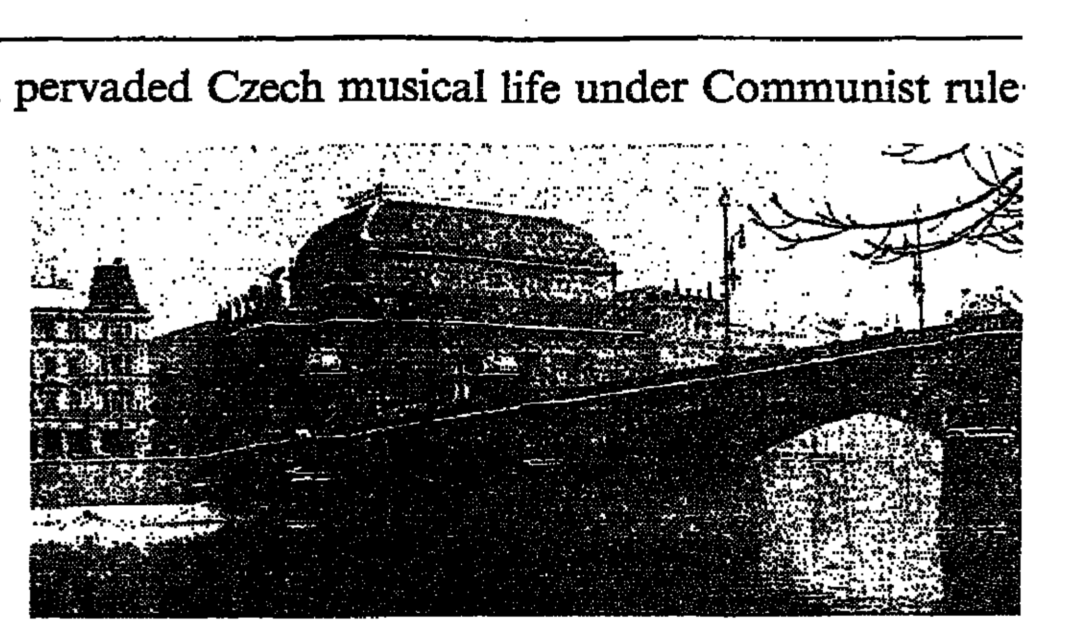
Party officials maintained similar controls over concert programming. Each season, the Prague Symphony Orchestra was obliged to play one work by a Soviet composer, one by another East bloc composer and a major work by a member of the praesidium of the composers' union. Church music was avoided. Dan Vorisek, the orchestra's manager, whose office is now bedecked with the red and blue posters of Civic Forum: "The Ministry of Culture decided who were the important interpreters, what music was worth playing. We submitted our programmes, they made their observations. It went back and forth till they were satisfied."

Several leading officials in the country's main music institutions now face corruption charges. One is Oldrich Flossman, a senior official of the composers' union who was also in charge of Czechoslovakia's Performing Right Society: he is alleged to have been the key figure in a mafia-style operation, under which vast amounts of royalty payments were diverted into the hands of his associates, while others were cheated.

A similar racket was operated within the state recording company, Supraphon, where the size of a bribe could determine whether 3000 or 30,000 copies of a particular record were released: royalties were calculated not by the number of copies sold, but by how many left the factory. Supraphon's chief executive has resigned, and the business is to be reorganised and made efficient.

Bribes, personal contacts and party membership also influenced Pragoconcert, through which all foreign invitations were channelled and without whose signature no foreign engagement could be accepted. Some soloists and conductors would give presents or part of their fee to Pragoconcert officials. Petr Altrichter, the most promising of the younger generation of Czech conductors, says there was a thin dividing line between corruption and bureaucratic model. "I was once invited to conduct in Houston, but Pragoconcert delayed sending the contract until it was too late." Pragoconcert would withhold up to 20 per cent of the fee, and it was obligatory to convert another 70 per cent into Czech currency at the official rate of exchange.

Most musicians acknowledge, however, that there were large "grey" areas, which helped offset the more unattractive aspects of the system. The conductor Zdenek Kosler, who had the unique distinction of being appointed opera director in Prague in 1980 without being a party member, received the backing of the party's central committee when Communist members of the opera ensemble denounced him.



The National Theatre, Prague

Vladimir Sevcik, the long-serving head of the Czech Music Fund, was one of the courageous Communists who supported dissident composers. The leading Janáček interpreter Bohumil Gregor recalls how, as a staff conductor at the National Theatre in the 1970s, he was hauled before a party committee each year for questioning about his independent views. Gregor describes his official file – which he has just seen for the first time – as "something out of Kafka," but realises only now that it was the tough Communist opera chief, Premysl Koci, who saved him from denunciation.

Just as there was a relaxation of controls before the Prague Spring reforms of 1968, there has been some liberalisation in the past two or three years. One example was the way Czech conductors were suddenly allowed to accept invitations from the Philharmonia Hungarica, the West German-based Hungarian emigre orchestra. The Prague Symphony Orchestra's invitation to the Soviet emigre violinist Gidon Kremer was vetoed by the Ministry of Culture in 1987, but no objection was raised the following year.

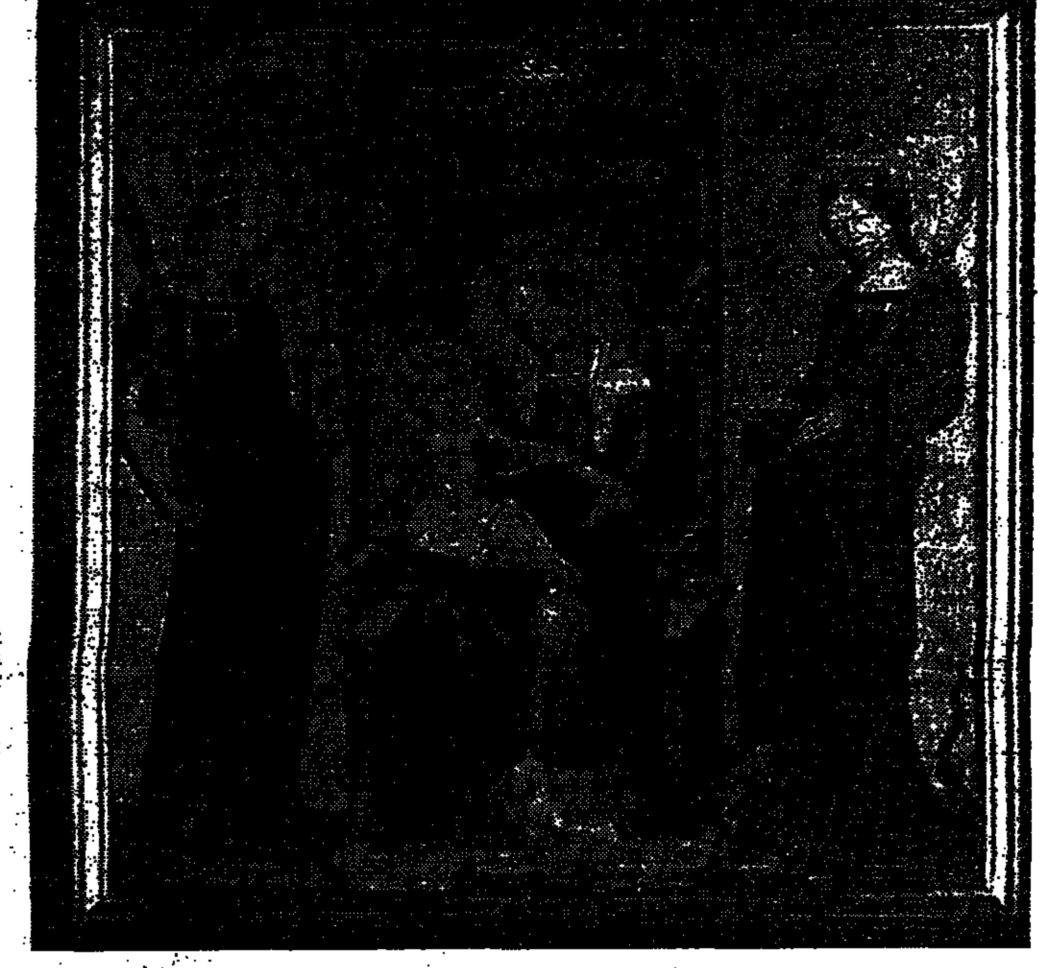
Now the landscape is changing completely. Vaclav Neumann has resigned his party membership, along with thousands of others who accepted it as a necessary prop under Communist rule. The Czech Philharmonic has decided to operate without Pragoconcert. The Union of Composers has been dissolved, and the articles of a new association are to be hammered out at a new conference in Prague on February 6 and 7. The annual festival of new music in early March has been cancelled, and there is talk of Rafael Kubelik – an exile for the past 40 years – coming out of retirement to conduct the opening concert of this year's Prague Spring festival.

Musicians are quickly realising that democracy has its cost. New music is bound to suffer: composers of popular music, whose royalties subsidised the promotion of contemporary music under the old system, now plan to form their own association. The state-run music publisher, Panton, wants to become independent, which would cut off another sources of income for classical composers.

Orchestras will now have to negotiate their own budgets and operate on a more commercial basis, with a consequent rise in box-office prices. Staffing levels and performance schedules at the main opera houses need radical pruning, and there is a serious risk that the best young singers will be lured away by big fees in the West, leaving the cupboard even more bare at home.

Petr Altrichter: "The revolution was splendid, and this new feeling of democracy *is inspiring. People are crazy* with freedom. But we need time to work out the best solution. This new world of choice is difficult for us. We have to learn, to discuss, to allow a competition of ideas. We know a return to everyday life is going to be difficult, because the whole future is *depending on our decisions.*"

Andrew Clark



Bohemian Virgin and Child with Saints Catherine and Margaret, c. 1360

The golden age of Bohemian art

THERE WAS a saying in Czechoslovakia that something good would happen to the country if the Blessed Agnes were canonised. Agnes, sister of the first King Wenceslas, became Saint Agnes some 700 years after her death, on November 15, 1989. What followed is, as they say, history.

The convent she built for the Poor Clares in Prague in 1234-80, the first Gothic monument in Bohemia, is one of the seven monasteries, palaces and castles in and around Prague that constitute the National Gallery. Recently restored at great expense by the State, it could not be used to glorify the nation's masterpieces of religious art. Instead, its starkly beautiful interiors are lined with the heroic deeds of national heroes as retold in the 19th century. Up the hill at the castle, in the former Monastery of St George, are the paintings and sculpture by the largely anonymous early Bohemian masters.

Little is known about Bohemian Gothic outside Czechoslavakia. Surprisingly little has left the country, save the odd panel in Boston and Berlin. According to one theory, which has its British advocates, the National Gallery in London can claim a Bohemian masterpiece too – the much-loved Wilton Diptych. This proposition was roundly dismissed by the Prague gallery's Bohemian art expert Dr Ladislav Kesner.

The – literally – golden age of Bohemian art were the 70 years between 1350 and 1420. Charles IV, the Prague-born Holy Roman Emperor, raised Bohemia to the centre of his empire, making Prague his residence and transforming the city into an important Catholic centre. What painters, sculptors and goldsmiths produced was to influence the art of central Europe; their work, in Dr Kesner's words, is of "exquisite quality," and there is probably no better time to see it. Apart from the glories of the permanent display, the gallery hosts a loan exhibition drawn from the country's second finest collection, the Alsovy Jihoceske Gallery, until March 18.

Outstanding are the National Gallery's gold ground panels from the Vysebrodsky Altar, stashed away in salt mines during the war en route to Hitler's projected gallery at Linz. These panels, executed around 1350, a narrative cycle on the life of Christ, are as graceful, engaging and lyrical as anything by Simone Martini or Gentile da Fabriano. Close by are the colossal saints of Theodorik, one of the few known artistic personalities, whose softly modelled figures swell out to fill the entire panel, and often the frame too.There can be nothing quite like them.

European art was never more closely linked than around 1400; certainly by the age of Van Eyck and Masaccio, North and South are beginning to go their separate ways. Bohemia's brand of International Gothic is not so very different from that produced at other European courts. It is typically decorative, feminine and blond. The gold grounds are perhaps more heavily tooled, and the narrative, unusually, often continues on the picture frame, not unlike marginal manuscript illumination. There are subjects not found in Italian painting, such as the Apostles crowding into Mary's bedchamber in a Preparation for the Dormition of the Virgin. A number of panels hark back to Byzantine icons.

Sculpture, which launched the International Gothic Style in Bohemia, remained critical to these panel painters. The boldly carved polychrome Pietas, Virgin of Sorrows, saints, and complex Depositions have extraordinary emotive power. In contrast, a sweet and willowy Mary Magdalen bends with the line of the tree, like some elegant Tang court lady.

Bohemia played a vital role in the development of this delightful late flowering of fine and decorative arts in medieval Europe. We look with anticipation to the country'srenewed internationalism.

Susan Moore

Orgy of guitar virtuosity

THERE ARE reports that the electric guitar is going the way of the crumhorn and the sackbut, swept away by electronic gadgetry which can duplicate the sounds of a Bowie (or a Bananarama) at the press of a computerised button. The pop star of the future will be an immobile figure with flexible fingers. Fortunately nobody has yet told Eric Clapton, who has booked the Albert Hall for the next three weeks for an orgy of guitar virtuosity.

Not that Clapton is particularly mobile – he lets the guitar do the walking, and the talking. "Welcome to the first night of the Proms" was his laconic introduction to an unprecedented solo residence in an auditorium which, with its gilt and velvet, creates a sympathetic *fin de siècle* setting on the myth of the hero as guitarman.

Clapton is not quite alone. He has surrounded himself with the best bass, drums and keyboard players that money can command. It is the perfect minimalist band to concentrate attention on Clapton's guitar playing, which is *quite* outstanding. If this is the last cry of the axe man it could hardly be more defiant and affecting. There is something nostalgic, even dated, about it all because Clapton goes back over a long generation and his fans are as quick to respond to an early blues as to the latest album, which shows about as much musical development as a Coptic Mass.

The attraction comes in the concentration on the music. Clapton, bearded, dressed in severe, but smart, black, his hair long but cleanly groomed, is the anonymous medium through which filters a flow of guitar solos glorying in a range and emotional pull which are surely far beyond the reach of a Japanese computer.

Eric Clapton: in majestic form at the Albert Hall

There may be longeurs during some of the slower solos, (a good opportunity to wonder at the absorption of the well fed looking audience) but time after time, as Clapton pauses in the spotlight and then lowers his plectrum for another almost motionless eruption of power and beauty, the results are re- assuringly satisfying.

The reverential fans have come to hear the particular moments when Clapton touched their nerve. He approaches his classic songs tentatively, with melodic introductions on the keyboards before easing into some of the most famous riffs of the last 20 years in "Layla" and "Wonderful Tonight," (which produced a suffocating wave of sentimentality). The new songs, like "Pretending" and "Running on Faith," are so blatantly Clapton in their guitar decorations that they are *comfortably swallowed*, and he is generous with his past, including "White Room" from the Cream days, and even a snatch of Blind Faith.

Half way through a two hour set the audience had struggled to its feet and swayed upright to the finale. Some of the rituals could be laid to rest – the dry ice puffed periodically over the stage looked apologetic – but with sharp lighting, a superb band, and Clapton in majestic form a better assertion of traditional rock virtues could hardly be imagined.

Antony Thorncroft

Chess No. 806:
1 Bb5! Rxb5 (if axb5 or Qxb5 2 Qc3 wins) 2 Qxd6 Rc8 3 Qf8+! Rxf8 4 gxf8Q+ Kxf8 5 Rxh7 Ke8 6 Rh8 mate, as the d1 rook prevents the black king's escape.

Radio

Life in Glasgow

GLASGOW IS the European Cultural Capital this year. *Do we care?* On Sunday last week Radio 3 gave a celebratory concert by the BBC Scottish Symphony Orchestra. That was it. North of the border, though, things are better. In Glasgow, Radio Clyde presents a lively program every Thursday night, *Whose Culture?*, with a bang up-to-date commentary on the city's artistic activities.

The Glasgow listener may hear Radio Scotland, Radios 1 to 4, East End FM, Radio Clyde FM or Radio Clyde AM. Normally I encounter Radio Clyde only among the Sony Radio Awards, of which it has collected a few. Its tribute to the city (helped by whisky sponsorship) is a series of 261 five-minute plays, one for each working day of the year, called *Bell in the Tree*. These are broadcast daily at 11.30 am on Radio Clyde FM and at 6.15 pm on Radio Clyde AM.

They picture Glasgow life from 142 AD until now. The writer is Eddie Chasnall, a local artist, and as far as number 63 the director was Hamish Wilson, but he left for the BBC and is followed by Finlay Welsh for the remaining 198. I have heard ten of them on tape, and very agreeable they are, presenting assorted citizens in the backgrounds of their time. A leper from Ninian's Hostel; fishermen on one of the many burns that once flowed into the Clyde; an alchemist sending his boy for fresh chemicals; another boy going to the Old College in High Street, where rich and poor are educated alike.

The boats in the Clyde, *exporting herring and salmon* to foreign lands, importing salt and glass, made the Scots true Europeans even in the 15th century. By the 18th, there are six-decker ships building at Govan, with 140 guns. These sundry activities are done with the sharp economy of pocket cartoons in a newspaper.

Gerontius, part 2, came on Wednesday on Radio 4. Molly fell in love with the airman, and Elgar met Lena, his German girl-friend of 40 years before, but found no fresh inspiration, amatory or musical. Pleasant romantic stuff, not up to Sir Michael Hordern. The pick of the week's drama was on Radio 3.

On Tuesday, a new play by Howard Barker, *The Early Hours of a Reviled Man*, amplified its title by tracking Dr Sleen through night as well as dawn. Sleen (Ian McDiarmid) is a practising doctor, for such as can bear him, also the author of five books, all called *Democracy*, full of his misanthropic, anti-Semitic thoughts. His night's promenade brings him up against Jane (Anna Massey), who had lived with him as long as she could, Roon (Jonathan Cullen), a student fascinated by his vileness, and a Jewish woman surgeon (Suzanne Burden).

These three accompany him as he falls foul of vagrants, delinquents, violent religious activists, magistrates and so on, ending with a homeless woman whom he claims as his mother. The events make a polychrome study of hatred from differing viewpoints, interesting, dramatic, a bit short of variety. It will be repeated on February 20.

Then yesterday we heard the production of Richard Nelson's *Principia Scriptoriae* previously done on the World Service. Shallow, confident young writer Bill (Anton Lesser) and serious Ernesto (Sean Baker) are in gaol in a fascist South American country for distributing pamphlets. Bill believes nothing can be done to an American, and if come to trial they can make it into a "happening." They *are* tried, and tortured.

Fifteen years later, Bill, journalist not novelist, attends a conference in Ernesto's country, now communist not fascist. We were young, they conclude – and stupid. A fascinating play, done by the RSC four years ago with the same leads, here excellently directed by Gordon House.

Controller, Radio 3 had his phone-in on Saturday, Natalie Wheen intervening. The punters were like Radio 4's with their predictable demands for private favours – more talks, fewer talks, more for the young, more women. The Controller was affable even to the unbearably talkative.

B.A. Young

SPORT

England expects — but pity Wales

***John Kitching** previews the opening of the Five Nations Championship*

THE BAD end unhappily, the good unluckily. That was Tom Stoppard's definition of tragedy, but it also sums up the fortunes of Wales and England in rugby's Five Nations Championship in the last 10 years.

Poor Wales ended the 1980s extremely unhappily after only one shared championship title. England, so often a good side (on paper at least) were unlucky to win the Grand Slam only once. The last decade undoubtedly belonged to the mercurial French, who despite selectorial wrangles, some pretty wacky positional changes and a startling lack of discipline on the field, managed to take first place six times. Today they open their defence of the title against Wales in Cardiff; at Twickenham, England meet Ireland.

Can Wales, who took five grand slams in the 1970s, come back from the dead? In the last few seasons, Welsh rugby has been greatly hampered by several factors. The lack of competitive leagues in Wales has meant that the players do not have the extra edge of their English counterparts. There have been the many defections to Rugby League, including players of the stature of Jonathan Davies, Terry Holmes, John Devereux and Paul Moriarty. Hand in hand with the Courage Leagues in England came a reduction in status and regularity of the Anglo-Welsh fixtures, further compounding the lack of competitive edge.

These have been lean times for the Welsh, and the national team's fortunes have been mirrored by those of the once great club London Welsh, who now languish at the foot of Courage National League 3 after their heady days under John Dawes in the 1970s.

Can Wales come back? The answer could have been yes, but only if the selectors had picked the men in form. A radical, and probably successful, selection would have paired Robert Jones with Adrian Davies at half-back, moved Tony Clement to full-back, brought in the excellent Brian Williams at loose-head and retained Gareth Llewellyn in the second row. But there we are. As it is, the Big Five, as the Welsh selectors are known, have played safe and gone largely for experience. A notable exception is the inclusion for his first cap at lock of Andrew Allen of Newbridge, who has shown promising form this season.

What remains to be seen, however, is whether coach John Ryan and the selectors have restored the vital element of pride. It used to be said that a strong Wales was a strong British Lions. That is no longer true. Until Wales can play with the passion and pride they displayed in the 1960s and '70s, they are unlikely to enjoy great success.

If Wales have gone for experience, then so have France — and they have it in abundance. Blissfully ignoring any forward planning for the 1991 World Cup, the French coach Jacques Fouroux has recalled the old guard of Berbizier, Garuet and Rodriguez. He also recalled the oldest guard of all, Serge Blanco, who would have won his 73rd cap but for a muscle strain. There has been much debate about the average age of today's England team, but France would probably beat them to the pension office. Perhaps it is time for forwards, in particular, to keep their ages secret.

If Paul Rendall, England's loose-head today, has made one mistake, it is letting us know he will soon be 36. That's it: he's over the hill, many commentators have declared. Whatever happened to the adage that international tight forwards mature late?

Five of England's pack today will be over 30 and are none the worse for it. Indeed, Paul Ackford is among the best in the world. Peter Winterbottom, Brian Moore and David Egerton are the three youngsters among the forwards. Does this imply that Geoff Cooke, England team manager, has — like Mr Fouroux — perhaps only one eye on the next World Cup?

He says: "Age is not relevant. What is important is that they (the players) have the mental and physical appetite." Perhaps we shall see Rendall and Jeff Probyn propping the World Cup scrum, or perhaps the young pretenders Andy Mullins and Mark Linnett (who did well last year in the shabby game with Fiji) will be allowed to step on to the world stage.

One or two things are certain about this England side: Simon Hodgkinson is lucky to be at full-back ahead of Alan Buzza (whose day will surely come), and Mickey Skinner is lucky to be at flank at the expense of Mike Teague (who will return). Cooke's explanation of the latter switch is: "We are very happy with Mickey's form and have told Mike about what he needs to do." Surely Teague will be recalled for the next game in Paris? His driving play for Gloucester last weekend against Leicester indicated he is back on the right track.

It is pleasing to see Mark Bailey, Cambridge don and specialist in medieval Suffolk life, win his first Five Nations cap on the wing. England have an embarrassment of talent at wing-threequarter: there are also the Underwood brothers, Barry Evans, and the up-and-coming Steve Hackney. The same is true at centre: Simon Halliday is extremely unlucky to be on the bench today. If Will Carling were not captain, one could foresee a club pairing of Jeremy Guscott and Halliday in England's centre. With such midfield talent, one can only hope that a more mature, more confident Rob Andrew, who will again be on the end of Richard Hill's bullet-like passes, can get his back line moving.

Ireland, who today have nothing to lose but the match, will be led by lock-forward Willie Anderson, 35. There will be commitment by the bucketload, much desperate kick and rush football, but the individual skills required to defeat England may be lacking.

It is difficult to understand why Ireland go into the championship with an inexperienced fly-half, Peter Russell. Most would accept that Brian Smith did not have a great first game against the All Blacks in November (who ever does?), but surely he should have been given another chance. The most interesting Irish selection is at tight-head prop where Gary Halpin, a 23-year-old international hammer thrower, gains his first cap against Paul Rendall. Perhaps he will try to throw his weight about.

For once, one senses that this good England side will not end unluckily: indeed, they should win by a reasonable margin today and finish the season either first or second in the championship. But one fears that, without pride, Wales may meet an unhappy end both in Cardiff and in the Five Nations table.

Pierre Berbizier: the voice of experience

The cuckoo in soccer's rule nest

***Philip Coggan** on the yawn-inducing properties of the offside trap*

EVERY RULE in soccer seems to follow from the internal logic of the game except one, the law of offside. It is an artificial imposition on an otherwise simple sport — a cuckoo in the regulatory nest.

The rule, which was first adopted in 1867, was designed to combat the kind of player whom millions of schoolchildren know as the *goal sneak*. Such reprobates, who will exist as long as playground football continues, do nothing throughout the game but stand by the opposition goal waiting to poke the ball in from a few feet. They are normally the kind of boys who bring a pack of different coloured felt tip pens to school every day.

But the remedy is almost as bad as the disease. Goal sneaks at least string the 22 players across the length of the pitch, creating more space for each, whereas the offside rule tends to bunch all the outfield players in the middle. When a team plays the offside game efficiently — pushing up with military precision towards the halfway line — soccer can become yawn-inducing. And the rule causes much spectator discontent. Crowds are well placed to make the same split-second decisions that linesmen face in enforcing the law.

This summer FIFA, international soccer's governing body, is considering a marginal change to the offside ruling. Currently, an attacking player who is level with the last defender is considered to be offside. If the change is adopted, an attacker will have to be in front of the last defender.

It is an alteration which should provide some slight advantage to the attacker. But a linesman's task will still be atrociously difficult in many instances. Players are very rarely exactly level, and unless the linesman's positioning and eyesight are perfect, it will still be virtually impossible to judge whether the player's leg, head, arm or whatever is ahead *at the exact moment* the ball is passed.

Certainly the change in the offside rule is unlikely to have the impact of the alteration made in 1925. Before then, an attacker had to have at least three players (including the goalkeeper) between him and the goal. The reduction to two brought forth a burst of scoring; the season before the change saw 4,700 goals, the season after enjoyed 6,373.

Other changes to the rule have been allowed in minor leagues in an attempt to eliminate the goal sneak but improve the flow of the game. One experiment was removing the offside rule at free-kicks (incidentally, many people do not realise that a player cannot be offside from a throw-in). Sadly, the free-kick adjustment led only to crowded penalty areas with inevitable pushing and shoving.

The Welsh FA is reported to be considering a proposal which would prevent a player from being offside when the ball is passed from within his own half of the pitch. Currently, the player who receives the pass cannot be offside if he is within his half at the moment the ball is kicked. Such a change would seem to open up the midfield and allow a playmaker, in the style of Glenn Hoddle, full scope to show off his skills.

Another rule alteration, which has been tried in the US, is to draw a 35-yard line (between the penalty area and half way) and say that players cannot be offside if they stay behind that line. All these changes seem to be worth a try; the problem has been to get FIFA to accept them. British soccer is unable to go it alone.

Jimmy Hill, the commentator and former Coventry manager, welcomes the forthcoming FIFA rule change but does not want to see the offside rule totally emasculated. "Part of the skill of the game is the timing of the through run and pass to defeat the offside trap," he says. There are other ways, Hill reckons, that FIFA can open up the game.

"The most important thing that FIFA could do is to give the referee power to award a penalty kick for offences outside the penalty area," says Hill. "It would eliminate the so-called professional foul. Sending players off is not the correct punishment for the crime. Because of the automatic two match suspension, it is the next team that the club plays which gets the benefit."

That seems an interesting idea, although it would greatly increase the pressure on referees. Imagine the number of times that crowds would scream for penalties in the course of a match. Rugby union, which is infested with penalties, at least avoids one pitfall by awarding a penalty try if a player is fouled when he looks certain to cross the line. Some rough equivalent in soccer might be appropriate.

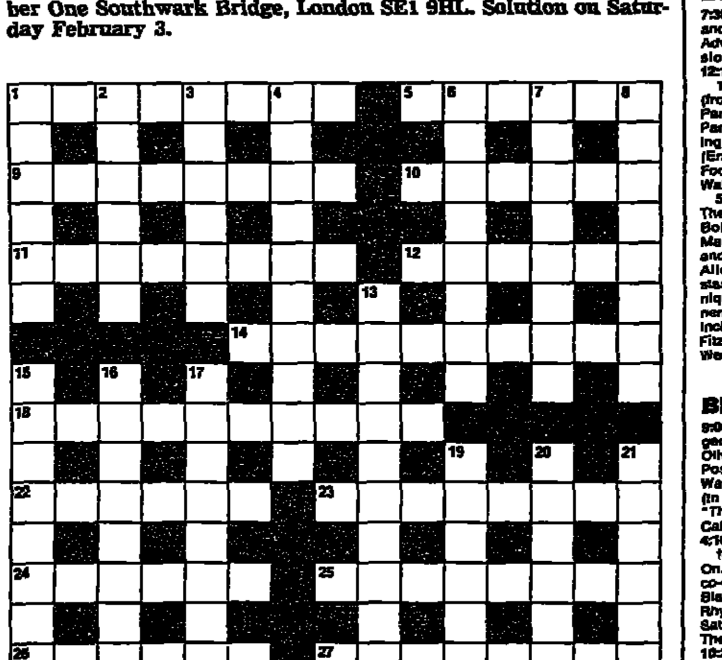
Certainly the sight of a winger, tricking his opponent, only to be brought down by a crude tackle is one of the most frustrating aspects of the modern game. The problem with sending-offs is that decisions are inevitably arbitrary. On Wednesday, for example, Speedie of Coventry made a niggling tackle which provoked an angry response from Sunderland's Bennett. Because of the resultant scuffle, both were sent off when a booking seemed more than sufficient.

Those sending-offs followed an FA circular to referees asking them to crack down on vicious tackles. The trouble with such circulars is that they prompt a sudden burst of dismissals in the first weeks and then gradually lose their impact. But at least the FA is making an effort to improve the game. For that it deserves applause.

CROSSWORD

No. 7,143 Set by DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday January 31, marked Crossword 7,143 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 3.



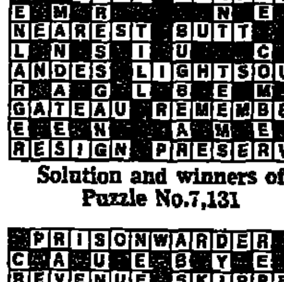
ACROSS

1 Opening lines in court (8)
5 Established stock-holder .... (6)
9 ..... in which the stock runs out (8)
10 To make a killing, back Aintree favourite (6)
11 Late in the day for slack water? (8)
12 Take part of little woman at home twice (4,2)
14 But it is not the dialling digit (4,6)
18 Stay chirpy in a way, though shrinking? (10)
22 Cover for a banger (6)
23 Red tongue of schoolboy swallowing last of raspberries (8)
24 Trifle needs half a day with a book (6)
25 Suspicion of corrosion after fog (8)
26 Smaller class always brainy? (6)
27 Naturally showing tavern at cathedral city (8)

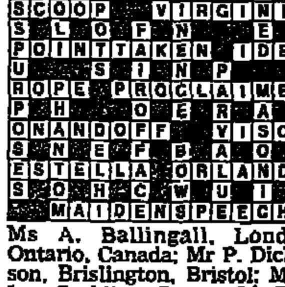
DOWN

1 See Bassanio take lead from this box? (6)
2 Rouse for a vigil before noon (6)
3 Get into trouble with a sherry-glass (6)
4 Summer visitor from Real Madrid, perhaps (3,7)
6 German top-of-the-table turned out nice (8)
7 Teasing can be damaging in later years (8)
8 Duties of champions away from home? (8)
13 Eg on grass I change, to show such pugnacity (10)
15 No broad-spectrum medicine? (8)
16 Lower part of Strathclyde region (8)
17 Part of body injured in Barking? (4-4)
19 Left first-class return for Shakespearean barmaid (5)
20 Tiny shake (6)
21 Conceited midshipman? (6)

Solution to Puzzle No.7,142



Solution and winners of Puzzle No.7,131



Ms A. Ballingall, London, Ontario, Canada; Mr P. Dickinson, Brislington, Bristol; Mr L Lee, Surbiton, Surrey; Mr D.M. Smith, Tilbury, Essex; Mr A. Titchener, Windsor, Berks.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

7:30 am Saturday Starts Here! †7:55 Laurel and Hardy. 8:00 Mersey Tales. 8:05 The New Adventures of Mighty Mouse. 8:20 Chucklevision. 8:35 Thundercats. 9:00 Going Live! 12:12 pm Weather.

12:15 Grandstand including 12:20 Skiing (from Kitzbuhel); 12:45 Racing from Haydock Park; 1:00 News; 1:15 Racing from Haydock Park; 1:25 Commonwealth Games; 1:50 Racing from Haydock Park; 2:00 Rugby Union (England v Ireland at Twickenham); 3:50 Football; 4:00 Rugby Union — (Highlights of Wales v France); 4:40 Final Score.

5:05 News. 5:15 Regional News; Sport. 5:20 The Flying Doctors. 6:05 Jim'll Fix It. 6:40 Bob's Full House. 7:15 The Paul Daniels Magic Show. 8:00 Waterfront Beat. 8:50 News and Sport. 9:10 Midnight Caller. 10:00 Dave Allen. 10:30 Film: "The Mackintosh Man" starring Paul Newman, James Mason, Dominique Sanda, Harry Andrews and Ian Bannen. 12:05 am The All-Star Swing Festival including Count Basie, Duke Ellington, Ella Fitzgerald and Dizzy Gillespie. 12:55-1:00 am Weather.

BBC2

9:00 Open University. †10:55 Film: "The Charge of the Light Brigade" (Errol Flynn and Olivia de Havilland star). 12:45 pm In the Post. 1:10 Training Dogs the Woodhouse Way. 1:35 Backroads. 2:00 Shrikant (Part 3) (in Hindi with English subtitles). 2:40 Film: "The Treasure of Monte Cristo" starring Rory Calhoun, John Gregson and Patricia Bredin. 4:10 Sea Gypsy.

†4:30 Film: "They Died with their Boots On." (Errol Flynn and Olivia de Havilland co-star.) †6:50 The Jack Benny show with Mel Blanc and Isaac Stern. 7:15 Newsview. 8:00 Rhythms of the World: 'Dede Saint-Prix.' 8:50 Saturday Night Clive. 9:35 Making Out. 10:25 The Film Club introduced by Lynda Miles: 10:25-12:30 am "Salvador" (James Woods stars with James Belushi.)

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth 2 including at 9:30 The Real Ghostbusters. 11:30 The ITV Chart Show. 12:30 pm The Munsters Today. 1:00 ITN News followed by National Weather. 1:05 Local News and Weather. 1:10 Saint & Greavsie. 1:40 Sportsmasters. 2:10 Coronation Street. 3:05 Matlock....4:15 Katts and Dog...4:45 Results Service.

5:00 ITN News followed by National Weather. 5:05 Local News and Weather. 5:15 Baywatch. 6:10 Blind Date. 7:00 The James Bond Film: "Octopussy" starring Roger Moore. 9:25 Yellowthread Street. 10:25 ITN News and Sport followed by National Weather. 10:40 Local Weather. 10:45 Abracadigance. 11:45 Dadah is Death (Part 1).

CHANNEL 4

7:00 Once Upon A Time...Life. 7:30 International Times — World News. 8:00 Transworld Sport. 9:00 Channel 4 Racing: The Morning Line. 9:25 Sing and Swing. 9:30 Listening Eye. 10:00 To the End of the Rhine. 10:30 "Two Weeks with Love" starring Jane Powell and Debbie Reynolds. †12:15 pm The Three Stooges 12:40 Dance with Me. 1:05 Channel 4 Racing from Kempton. 3:00 "Because You're Mine" starring Mario Lanza. 4:55 Cartoon. 5:05 Brookside Omnibus. 6:00 Right to Reply 6:30 Scottish Eye. 7:00 The World This Week. 7:15 Europe Express. 8:00 Soviet Spring: The Irony Curtain. 9:00 4 Play — When Love Dies 10:20 Soviet Spring: Soviet Citizens. 11:20 Soviet Spring: From Russia with Rock. 1:15 am Soviet Spring: The Highest Court.

S4C WALES

As Channel 4 except:

9:25 am Sing and Swing. 9:30 Listening Eye. 10:00 A Walk up 5th Avenue. 10:30 Art of the Western World 11:00 Australian Beautiful Gardens. 11:30 That's Entertaining. 12:00 Street Hockey. 12:30 pm Give a Dog a Bad Name. 2:00 Rygbi Rhyngwladol: Cymru v Ffrainc. 4:05 Passion Play.

6:30 The Wonder Years. 7:00 Gophers. 7:30 Newyddion. 7:40 Minafon. 8:15 Y Maes Chwarae. 9:05 Cyfansoddwyr: Brahms a Rachmaninoff. 9:45 4 Play: When Love Dies. 11:00 Short and Curlies.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm A.L.F. 3:05 "Pray for the Wildcats" starring Andy Griffith. 11:45 A Tribute to Gordon Jackson: Invitation to Remember. 12:15 am Sinatra the Voice.

BORDER

12:30 pm Ski Tips. 2:10 The Spectacular World of Guinness Records. 2:40 Rugby League — Castleford v Widnes. 11:45 Star Movie: "Foul Play" starring Goldie Hawn, Chevy Chase and Dudley Moore.

CENTRAL

12:30 pm The Double Deckers. 12:55 Adventures of Tin Tin. 3:05 "Pray for the Wild Cats" starring Andy Griffith. 11:45 Prisoner Cell Block H.

CHANNEL

12:30 pm Ski Tips. 1:05 Diary Dates. 3:05 "The Disorderly Orderly."

GRAMPIAN

12:30 pm Ski Tips. 3:00 Feature Film - "Carry on Cruising" with Sidney James, Kenneth Williams, Kenneth Connor, Joan Sims and Liz Fraser. 5:10 Criomagan. (Gaelic news for the Highlands and islands). 5:15 Baywatch - "Heat Wave." 11:45 Star Movie - "Foul Play" starring Goldie Hawn, Chevy Chase, Burgess Meredith and Dudley Moore.

GRANADA

12:30 pm The Munsters Today. 2:10 The Spectacular World of Guinness Records. 2:40 Rugby League Live: 'Castleford v Widnes.' 11:45 Star Movie: Goldie Hawn in "Foul Play."

HTV

12:30 pm The Munsters Today. 3:05 "Penny Princess" starring Yolande Donlan and Dirk Bogarde. 11:45 Crime Story.

SCOTTISH

12:30 pm NB. 13:05 The Saturday Thriller: "Sleeping Car to Trieste" starring Jean Kent. 11:45 Film: "How to Succeed in Business without Really Trying" starring Anthony Teague, Maureen Arthur and Murray Matheson.

TSW

12:30 pm The South West Week. 1:40 Ski Tips. 3:05 "Carry on Cruising" starring Sidney James and Kenneth Williams. 5:05 Newsport. 5:10 Gus Honeybun's Magic Birthdays. 11:45 Starring Goldie Hawn: "Foul Play."

TVS

12:30 pm Ski Tips. 3:05 "The Disorderly Orderly" starring Jerry Lewis.

TYNE TEES

12:30 pm The Munsters Today. 2:10 "Daring Game" Lloyd Bridges stars. 4:15 Bullseye. 5:05 Northern Life Saturday Special. 11:45 "Foul Play" starring Goldie Hawn, Chevy Chase, Burgess Meredith and Dudley Moore.

ULSTER

12:30 pm The Munsters Today. 2:10 "Paratrooper" starring Alan Ladd and Leo Genn. 3:45 The Life and Times of Grizzly Adams. 11:45 Starring Goldie Hawn: "Foul Play."

YORKSHIRE

12:30 pm Batman. 3:05 "Carry on Cruising" with Kenneth Connor and Kenneth Williams. 11:45 Nightscare: "Holocaust 2000" starring Kirk Douglas, Simon Ward and Virginia McKenna.

RADIO

(S) Stereo on FM

RADIO 2

6:05 am David Jacobs. 9:00 Sounds of the 60s with Mike Berry. 10:00 Anne Robinson. 12:00 Gerald Harper. 1:30 pm Pull the Other One! 2:00 Robin Ray on Record. 3:00 Katie Boyle. 5:00 Swing into Spring with Tony Christie and Patti Gold. 6:00 Cinema 2. 6:30 Roy's Recipes with Roy Jeffries. 7:00 Beat the Record. 7:30 Saturday Night Gala. 9:00 Those Beautiful Ballad Years. 9:30 String Sound with the BBC Radio Orchestra. 10:05 Martin Kelner. 12:05 am Night Owls presented by Dave Gelly. 1:00 Ellis Hill presents 'Nightride'. 3:00-4:00 A Little Night Music.

Medium Wave as above except:

1:30-6:00 pm. Sport on 2, including Football, Rugby League and Racing from Haydock Park.

RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 Pascal Devoyon (piano): Beethoven ('Pathetique' Sonata), Schumann (Carnaval). 9:30 Saturday Review. 1:00 pm News. 1:05 Words with Roy Porter. 1:10 Music from the Viennese Court (1720-30); Chandos Baroque Players with Lynne Dawson (soprano): G Porsile (Cantata: A solo con traversieri), Caldara (Trio sonata Op 1 No 5; Cantata: Festa campestre; sciaforau e fluttsiman). 1:45 Smetana Quartet: Petr Eben (Quartet No 1), Schubert (Quartet in E flat, D87). 2:35 From the Proms 1989: BBC Symphony Orchestra and with Krystian Zimerman (piano): Ravel (Le tombeau de Couperin), Lutoslawski (Piano Concerto) (3:25 Interval reading) 3:25 Berlioz (Symphonie fantastique).

4:25 Debut. Jonathan Snowdon (flute) and Leslie Pearson (piano): Schubert (Sonata in A minor, 'Arpeggione'), Miklos Rosza (Kaleidoscope). 5:00 Jazz Record Requests. 5:45 Critics' Forum. 6:35 Violin and Piano. Lorraine McAslan and Nigel Clayton play Szymanowski (Mythes) and Beethoven (Sonata in C minor Op 30). 7:20 "Mathis der Mahler": recording of Hindemith's opera from Bavarian State Opera with John Brocheler in the title role (8:50-9:05 Discussion of the painter Grunewald and Hindemith's interpretation of him in his opera). 10:25 Lionel Hampton Orchestra: Concert from last year's Lewisham Jazz Festival. 12:00-12:05 am News.

RADIO 4

7:00 am Today. 9:00 News. 9:05 Sport on 4. 9:30 Breakaway. 10:00 News; Loose Ends (s) with Ned Sherrin and guests (s). 11:00 News; the Week in Westminster. 11:30 From our Own Correspondent. 12:00 Money Box. 12:25 pm I'm Sorry I Haven't a Clue (s). 12:55 Weather. 1:00 News. 1:10 Any Questions? 2:00 News; Any Answers.

2:30 The Withering Women (s). 3:45 Tales of a Man called Father. 4:00 Classes Apart. 4:30 Science Now. 5:00 My Heroes. 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather.

6:00 News; Sports Round-up. 6:25 Citizens (s), omnibus edition. 7:10 Stop the Week (s). 7:45 Saturday-Night Theatre (s). 9:15 Music in Mind (s). 9:50 Ten to Ten (s). 9:59 Weather. 10:00 News. 10:15 The Saturday Feature (s): 'Beatlemania.' 10:45 Smith's Elegy. 11:00 Richard Baker Compares Notes (s) with founder members of the Fairer Sax, Gabrielle and Anne-Louise Lane. 11:30 Funny That Way (s) Barry Cryer profiles Spike Milligan. 12:00-12:30 am News.

SUNDAY

†Indicates programme in black and white

BBC1

8:50 am Favourite Walks. 9:15 Articles of Faith. 9:30 This is the Day. 10:00 Bazaar. 10:25 Buongiorno Italia!. 10:50 Europeans. 11:20 Spelling It Out. 11:30 Step Up to Word Power. 11:55 Snap. 12:05 pm See Hear!. 12:30 Country File. 1:00 News; On The Record.

2:00 EastEnders. 3:00 Film: "Ocean's 11" starring Frank Sinatra, Dean Martin, Sammy Davis Jr, Peter Lawford and Angie Dickinson. 5:05 The Clothes Show. 5:30 Antiques Roadshow. 6:15 It Doesn't Have to Hurt. 6:25 News. 6:40 Songs Of Praise. 7:15 You Rang, M'Lord? 8:05 Bergerac. 9:00 Mastermind

9:30 That's Life. 10:15 News. 10:30 Everyman 11:10 Dear John: USA. 11:35 Clean Slate. 12:05 The Sky at Night. 12:25 Shrikant (Part 3); (Hindi with English subtitles).

BBC2

7:30 am Children's BBC Two, starting with Playdays. 7:50 Jimbo and the Jet Set. 7:55 Teddy Bears' Picnic. 8:00 am Hallo Spencer. 8:25 Smoggies. 8:55 Paddington Goes to School. 9:20 Corners. 9:35 Thundercats. 9:55 Blue Peter Omnibus. 10:45 What's That Noise 11:10 Boxpops. 11:30 The O Zone. 12:00 Westminster Week. 1:00 pm Betty Boop. 1:05 Training Dogs the Woodhouse Way.

1:30 40 Minutes. 2:10 Reportage Update. 3:00 Film: "Evil Eden" ('La Mort en ce jardin' (French with English subtitles). 4:40 Messenger Boy (RKO short). 5:00 Rugby Special. 6:00 Ski Sunday. 6:35 The Money Programme. 7:15 The Natural World. 8:05 Ripping yarns.

8:40 The Midas Touch. 9:30 The Talks Show with Clive James. 10:15 Film: "The Man From the Pru" starring Jonathan Pryce, Anna Masey and Susannah York.11:40 Rapido. 12:15-12:50 am Snub TV.

LONDON

6:00 am TV-am Breakfast Programme. 8:25 Children's ITV: The Disney Club. 10:45 Link. 11:00 Morning Worship. 12:00 Encounter. 12:30 pm My Little Pony. 12:40 Police 5. 12:55 Local News and Weather. 1:00 ITN News, followed by National Weather. 1:10 Eyewitness.

2:00 A Tribute to Gordon Jackson: Invitation to Remember - Brian Johnston talks to Gordon Jackson. 2:30 A Tribute to Gordon Jackson. Upstairs Downstairs. 3:30 The Match: Norwich City v Manchester United. 5:35 Bullseye. 6:05 Rescue. 6:30 ITN News, followed by National Weather. 6:35 Local News and Weather. 6:40 Highway. 7:15 Wish Me Luck.

8:15 The Two of Us. 8:45 ITN news followed by National Weather. 9:00 Local Weather. 9:05 Agatha Christie's Poirot. 10:05 Tarrant on TV. 10:35 The South Bank Show. 11:35 One to One. 12:15 am The ITV Chart Show followed by ITN news headlines.

CHANNEL 4

6:00 am Hallelujah! 6:30 Country Ways. 7:00 World of Herbs. 7:30 Box Office Weekly. 8:00 The Bluffers. 8:30 Boy Dominic. 9:00 Dennis. 9:25 Orientations. 10:00 A Week in Politics. 11:00 Pob's Programme. 11:30 The Henderson Kids. 12:00 The Waltons. 1:00 pm Land of the Giants. 2:00 Opera On 4: "Die Soldaten" (with English subtitles). 4:10 Soviet Spring: Ballerina on a Ship. 4:30 A Midsummer Night's Dream.

5:10 Salmon Night. 5:25 News Summary and weather. 5:30 American Football. 6:30 The Wonder Years. 7:00 Fragile Earth: Storm on the Mountain. 8:00 The Media Show. 9:00 Soviet Spring: The Ikon and the Axe. 10:30 "Funny Face" starring Fred Astaire and Audrey Hepburn. 12:30 am Soviet Spring: A Russia of One's Own.

S4C WALES

As Channel 4 except:-

9:00 am The Inventive Boy. 9:15 Hafod. 1:00 pm Bwrw Mlaen. 1:25 Fideo 9. 2:05 Opera: "The Flying Dutchman, starring Matti Salminen, Hildegard Behrens and Franz Grundheber. 4:30 Equinox. 6:30 Moving Stills. 6:40 San Steffan.

7:00 O Bedwar Ban. 7:15 Y Dyn Papur Newydd. 7:25 Newyddion. 7:30 Elrian. 8:20 Hel Straeon. 8:30 Dechrau Canu, Dechrau Canmol. 9:00 Mwy Na Phapur Newydd. 9:45 Tystion. 9:50 The Media Show. 10:50 Entertaining The Troops .

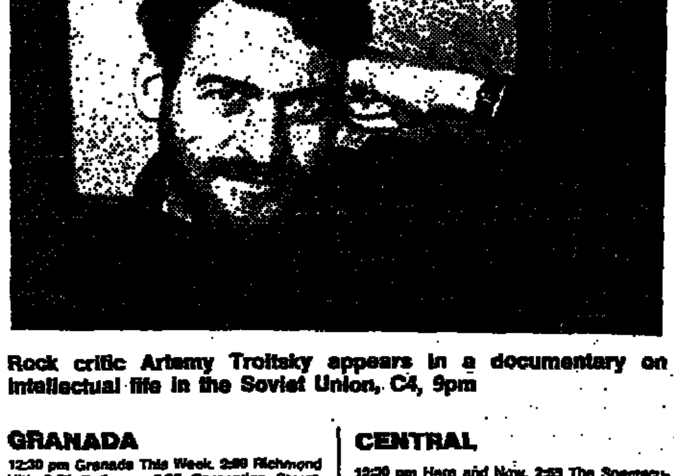
IBA Regions as London except at the following times:

ANGLIA

12:30 pm Farming Diary. 11:15 Prisoner: Cell Block H.

BORDER

12:30 pm Cover Story. 5:35 The Fall Guy. 11:35 Prisoner Cell Block H



Rock critic Artemy Troitsky appears in a documentary on intellectual life in the Soviet Union, C4, 9pm

GRANADA

12:30 pm Granada This Week. 2:00 Richmond Hill. 2:55 Bullseye. 5:35 Coronation Street. 11:15 Prisoner Cell Block H.

HTV

12:30 pm Along the Cotswold Way. 2:00 Newsweek. 2:30 Highway to Heaven. 11:15 Prisoner: Cell Block H.

HTV Wales as HTV except:-

12:30-12:55 Farming Wales followed by weather for Farmers. 2:00-2:30 The Spectacular World of Guinness Records.

SCOTTISH

10:45 am Glen Michael's Cartoon Cavalcade. 11:15 Link. 11:30 Sin Aged El. 12:30 pm God's Reps. 2:00 Scottish Supplement. 2:30 The Romantic Movie: "Remember". 4:00 Bullseye. 4:30 Scotsport. 11:25 Off the Page. 12:05 am Scottish Arts Debate: Glasgow 1990: "Whose Culture?"

TSW

12:30 pm Farming News. 11.35 Ellis Island. 12:30 am Quiz Night. 12:45 I Spy.

CENTRAL

12:30 pm Here and Now. 2:55 The Spectacular World of Guinness Records. 11:35 Prisoner Cell Block H. 12:30 am The Continental Movie: "The Samuri".

CHANNEL

12:30 pm Reflections. 12:35 Les Français Chez-Vous. 5:35 Rescue (the award winners). 6:00 TV's Award Winners: The Storyteller. 11:35 The Human Factor. 12:05 am One to One. 12:35 The Invisible Man

GRAMPIAN

10:45 am A.L.F. 11:15 Wild South. 11:45 Link. 12:30 pm Jack Thompson Down Under 2:00 Championship. Riding the Waves Catching the Wind. 2:30 Curling (The Smirnoff Men's Open). 3:30 Bullseye. 4:00 Country Matters. 4:30 Scotsport.11:15 Prisoner Cell Block H.

TVS

12:30 pm TVS News. 12:33 Agenda. 5:35 Rescue. 6:00 TVS Award Winners:1 The Storyteller. 11:35 The Human Factor. 12:05 am The Invisible Man.

TYNE TEES

12:30 pm Jack Thompson Down Under. 5:35 Coronation Street. 11:15 Soccer Special. 11:35 Forum Presents. 12:15 am ITN News Headlines. 12:32 Quiz Night.

ULSTER

12:30 pm Ski Tips. 5:35 Coronation Street. 11:35 Prisoner: Cell Block H. 12:30 am Quiz Night.

YORKSHIRE

12:25 pm Goals on Sunday. 11:35 Scrumdown.

RADIO

(S) Stereo on FM

RADIO 2

7:30 am Roger Royle says 'Good Morning Sunday'. 9:05 Melodies for You with Richard Baker. 11:00 Desmond Carrington with Your Radio 2 All-Time Greats. 2:00 pm Benny Green. 3:00 Alan Dell with 'Sounds Easy'. 4:00 Black Magic presented by Ken Bruce. 4:30 Sing Something Simple. 5:00 Charlie Chester. 7:00 Gorham and Swift. 7:30 Dennis O'Neill 8:30 Sunday Half-Hour. 9:00 Your Hundred Best Tunes with Alan Keith. 10:05 Songs from the Shows. 10:45 Matt Ross at the piano. 11:00 Sounds of Jazz with Peter Clayton. 1:00 am Ellis Hill presents 'Nightride'. 3:00-4:00 A Little Night Music.

RADIO 3

7:00 am Journeys and Places. Enesco (Romanian Rhapsody No 1) Bax (Tintagel). 7:30 News. 7:35 Heifetz and Friends. Beethoven (String Trio in C minor Op 9 No 3, with Primrose and Piatigorsky), Brahms (Double Concerto, with Piatigorsky and RCA Victor Orchestra/Wallenstein. 8:30 News. 8:35 Your Concert Choice. 10:30 Music Weekly. 11:15 Haydn From Amsterdam. BBC Welsh SO with soloists and the BBC Welsh Chorus. Part 1: Invocation to Neptune; Symphony No 100 in G, 'Military'.11:50 'Poet of the Month,' Bulgarian poet Lyubomir Nikolov reads from his work. 11:55 Concert, part 2, Nelson Mass.

12:45 pm Piano and Winds. Quintetto Italiano and Bruno Canino (piano): Berio (Ricorrenze; Sequenza IV for piano). Mozart (Quintet in E flat K 452). 1:45 Yuri Bashmet (viola) with Mikhail Muntian (piano): Schumann (Marchenbilder), Britten (Lachrymae), Brahms (Sonata in F Op 120 No 1).2:45 Rubinstein on Record. Chopin and Szymanowski mazurkas by both composers. Chopin's Polonaises Nos 2 and 5 and the Polonaise fantasy and Szymanowski's Symphonie concertante. 4:15 City of London Sinfonia, with Gareth Hulse (oboe): Britten (Sinfonietta Op 1), Robin Holloway (Romanza for oboe and strings), Judith Weir (Isti mirant stella).

5:0 Hohenems Schubertiade 1989. Schubert songs: Arleen Auger (soprano) with Irwin Gage (piano) and Emma Johnson (clarinet). 6:15 Woodbrook by David Thomson. 7:30 LSO live at the Barbican, part 1: Mozart (Symphony No 35, 'Haffner'), Copland (Quiet City), Bernstein (Prelude, Fugue and Riffs). 8:15 The Greening of John Ruskin. Peter Fuller examines Ruskin's contribution to the commercialisation of art and the conservation of the environment. 8:35 Concert, part 2: Prokofiev (Symphony No 5)

9:30 Piano Recital by Philip Martin: Britten (Holiday Diary). Philip Martin (Oiche Ceoil), Tippett (Sonata No 2). 10:05 Third Ear. Historian Roy Porter talks with Literary biographer Richard Holmes. 10:30 Choral Eucharist for the third Sunday after Epiphany. 11:30 Conlon Nancarrow. Prelude and Blues.String Quartet; Studies for Player Piano Nos 1 and 42. 12:00-12:05 am News.

RADIO 4

7:00 am News. 7:10 Sunday Papers. 7:15 On Your Farm. 7:40 Sunday. 8:50 Appeal by Leslie Phillips on behalf of the Disabled Photographers' Society. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter from America by Alistair Cooke. 9:30 Morning Service (s). 10:15 The Archers 11:15 News Stand. 11:30 Pick of the Week (s). 12:15 pm Desert Island Discs (s). 12:55 Weather.

1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 Classic Serial: 'Jim Davis' (s) by John Masefield. 3:30 The Trade Rag (s). 4:00 News: Gerontius.

4:47 Fragile Paradise 5:00 News; Down Your Way. 5:40 Letters from the Sticks. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News. 6:15 Feedback: Chris Dunkley airs listeners' comments on BBC programmes and policy. 6:30 Root of the Matter. 7:00 Cat's Whiskers (s). 7:30 Bookshelf. 8:00 The Sittaford Mystery (s). 8:30 Move The Orchestra (s). 9:00 News: Enquire Within. 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 Pillars of Society. 11:00 In Committee. 11:30 Seeds of Faith (s). 12:00-12:30 am News.